D.M. WENCESLAO AND ASSOCIATES, INCORPORATED

Forging Ahead

2022 Annual and Sustainability Report

About Us

D.M. Wenceslao & Associates, Incorporated (PSE: DMW) is an integrated property developer with expertise in land reclamation, construction and real estate development. It is the master developer and primary owner of Aseana City, a development project with a total land area of 107.5 hectares located along the coastal waters of Manila Bay. Since 1965, DMW has reclaimed more than 2.4 million sq.m. of land, leased out or developed over 300,000 sq.m. of land and buildings, and completed over 140 construction and infrastructure projects including large, complex government developments throughout the Philippines.

Mission

To initiate and create sustainable city-scale real estate products which will complement and contribute to the local community and national development.

Vision

To be the leading city-developer in the country.

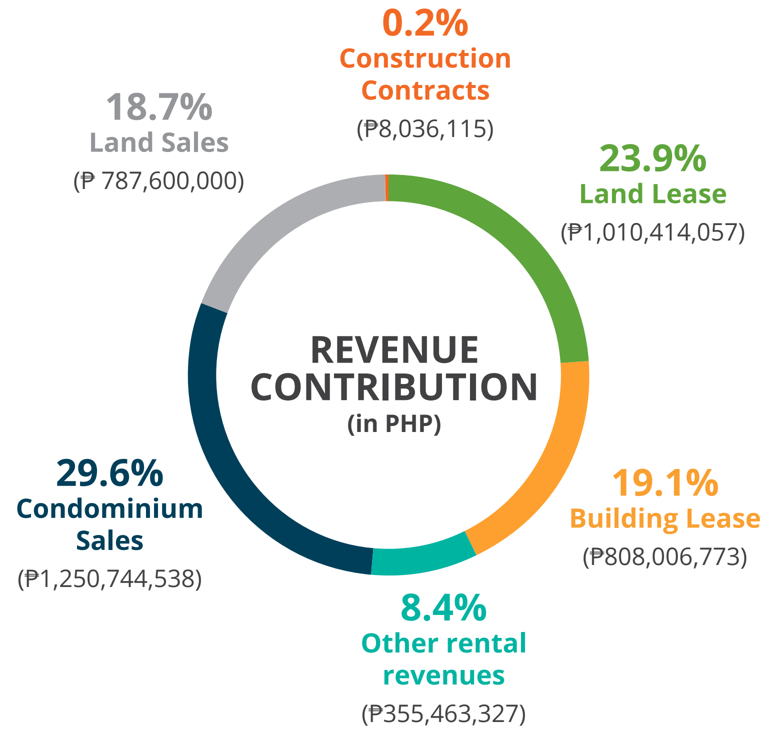
Financial Highlights

TOTAL REVENUE

₱4.22B

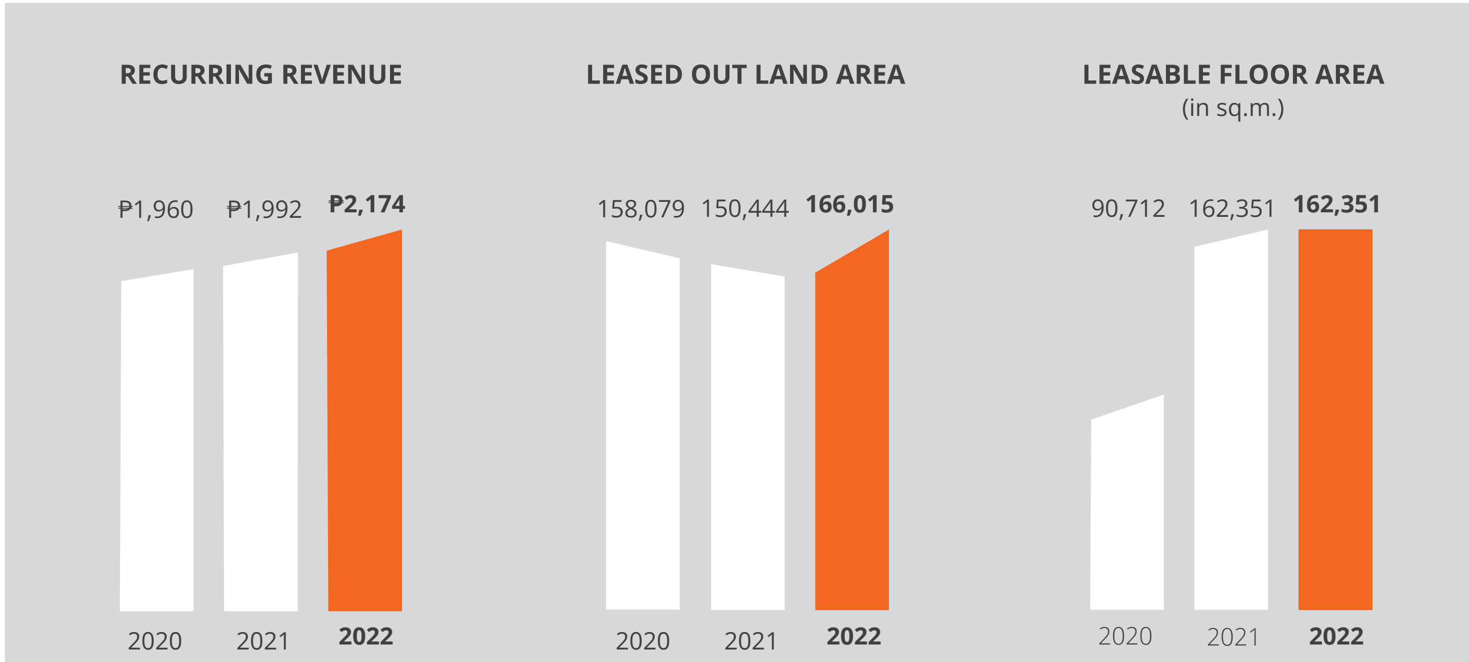
TOTAL NET INCOME TO PARENT

₱2.12B



FINANCIAL RATIOS

	2022	2021	2020
Net Profit Margin	**50%**	60%	78%
Return on Equity	**9%**	9%	10%
Earnings Per Share	**₱0.625**	₱0.609	₱0.627
Current Ratio	**1.63x**	1.67x	1.47x
Debt-to-Equity Ratio	**0.12x**	0.14x	0.06x



“We continue to navigate an ever-evolving landscape which while rife with opportunities is also replete with risks.”

To my fellow shareholders,

It has been more than three years since the COVID-19 pandemic drastically changed the way we live. In the face of daunting challenges, we have witnessed the collaborative efforts of individuals, corporations, institutions, and governments, all coming together to successfully combat the global health crisis.

As the global community emerged from the far-reaching effects of the pandemic, nations were confronted with new macroeconomic challenges such as high levels of inflation and rising interest rates.

Forging Ahead

We continue to navigate an ever-evolving landscape which while rife with opportunities is also replete with risks. Amidst precarious circumstances, we remain steadfast in our approach of pursuing growth opportunities while remaining vigilant of risks.

Our strategic measures, including securing favorable pricing for construction materials at the onset of our projects and utilizing peso-denominated and fixed-rate debt instruments, enabled us to successfully navigate macroeconomic challenges in 2022.

Driven to fulfill our corporate mission and vision, the Board of Directors and Senior Management will continue to guide DMW towards the execution of our masterplan for Aseana City and the achievement of our expansion initiatives while exercising the same financial prudence that we have exemplified through the years.

Supported by our continuously growing earnings and comfortable financial position, we were able to substantially increase our cash dividends to ₱0.07 per share per share from ₱0.06 a year ago. This marks DMW’s fifth consecutive year of dividend payout since the company went public and its highest dividend thus far.

CASH DIVIDEND
PER SHARE

₱0.07

Sustainability

Tenets of sustainability have long been embedded in our business philosophy. The Board of Directors, Senior Management, and the whole organization are guided by our Five Pillars of Sustainability: Quality of Life; Environmental Stewardship; Good Governance and Ethical Business Practices; People-centric Labor Practices; and Economic Development.

As a responsible steward of the environment, D.M. Wenceslao recognizes the importance of reducing our environmental footprint. To this end, we have implemented tangible measures aimed at achieving this goal. In particular, we continued to procure renewable energy for select office buildings through retail electricity supply contracts, resulting in 59% of our total electricity consumption in 2022 being accounted for by renewable sources.

Our flagship project, Parqal, is a prime example of our commitment to environmental sustainability. The project is being constructed in accordance with the rigorous requirements of the Philippine Green Building Council's Building for Ecologically Responsive Design Excellence (BERDE), which focuses on incorporating sustainable practices in the design, construction, and operation of buildings.

TOTAL ELECTRICITY CONSUMPTION IN 2022 FROM RENEWABLE SOURCES

59%

We are committed to building a socially responsible and sustainable community, with a particular focus on enhancing livability, walkability, and social integration. In pursuit of this goal, we are pleased to report a significant increase in our net promoter score (NPS) from 18.25 in 2021 to a high score of 40.25 in 2022. This is testament to our unwavering commitment to not only meet but exceed the constantly evolving needs of our locators.

I am proud to report that our Sustainability efforts were recognized with high sustainability ratings from reputable agencies. Notably, DMW ranked in the 88th percentile of S&P Global's Corporate Sustainability Assessment as of February 2023. This puts DMW's sustainability performance at the top 12% of S&P-assessed real estate companies globally.

TOP 12%

AMONG A GLOBAL UNIVERSE OF S&P-ASSESSED REAL ESTATE COMPANIES AS OF FEB 2023

Appreciation

As I bring this message to a close, I would like to express my sincere appreciation for the invaluable contributions and dedication of all our employees. It is through their relentless efforts and steadfast commitment that we have achieved new heights of success and growth.

I extend my heartfelt gratitude to our esteemed shareholders for your continued trust, support, and faith in our organization. Together, we will continue to strive for excellence and drive sustainable value for all our stakeholders. *Maraming salamat!*

DRA. SYLVIA C. WENCESLAO
Chairperson

The End of the COVID Tunnel

The Philippines' COVID-19 situation markedly improved in 2022. COVID-19 cases were controlled throughout the year, thanks to the success of the country's vaccination program. In the first quarter of the year, pandemic-related mobility restrictions had already been lifted and as the year progressed, further ease-of-restrictions were announced, including the optional use of face masks. As a result, mobility surpassed pre-pandemic level, consumer spending notably increased, and business activities improved significantly.

The Philippines' sustained recovery from the pandemic along with the 2022 election-related spending boost allowed for a robust GDP growth of 7.6%, notably higher than the 5.7% recorded in 2021. As early as the first quarter of 2022, the Philippine GDP had already exceeded pre-pandemic level.However, despite all our nation's triumphs in 2022, challenges remained abound.

A Bevy of Black Swans

As the global community was beginning to regain its footing from the devastating impacts of the COVID-19 pandemic, another Black Swan event unfolded. The geopolitical conflict between Russia and Ukraine escalated into a full-scale war, which resulted in a spike in the price of major commodities including crude oil.

The Philippines, which imports most of its oil requirements, experienced high inflation along with many other countries. In 2022, the Philippine inflation rate reached 5.8%, notably higher than 3.9% in 2021. For the property sector, the impact was more pronounced as the NCR Construction Materials Wholesale Price Index rose at a faster pace of 8.3%.

Report of the Chief Executive Officer

The Bangko Sentral ng Pilipinas (BSP) hiked interest rates by a total of 350 basis points in 2022 in an effort to tame inflation.

The Philippine peso also weakened relative to the US dollar due to the US Federal Reserve's more aggressive monetary policy tightening measures.

Emphasizing Risk Awareness in Pursuit of Growth

DMW's business philosophy emphasizes the significance of remaining mindful of risks in the pursuit of growth opportunities. The strategies that we've instituted early on allowed us to sail through the macroeconomic headwinds in 2022; we proactively locked-in favorable pricing for majority of construction materials at the outset of our projects, safeguarding our costs from the run-up in prices; we maintained low leverage ratios with peso-denominated and fixed-rate debt that kept us insulated from forex fluctuations and the rise in interest rates.

Beyond current risks, the long-term growth prospects of the Philippine real estate market remain bright. The Philippine Development Plan 2023-2028 (PDP) aims to bring the country on-track toward achieving upper middle-income status by 2025, with annual GDP growth targets of up to 8.0% until 2028. The PDP recognizes the real estate sector as a key driver of economic growth and calls for the establishment of livable communities. DMW heeds to this challenge through our continued build-out of Aseana City based on social and environmental sustainability principles.

We remained all systems go on our expansion plans throughout 2022 -- we signed a 1.4-hectare land lease contract with St. Luke's Medical Center; residential construction remained in full-swing, allowing us to top-off the fourth and final tower of MidPark in September; and the construction of our flagship commercial project – the over 70,000sqm Parqal – remained in full throttle, allowing for 89% completion by December 2022.

Robust Earnings Underpin Viability of DMW's Strategy

DMW's 2022 net income grew 3% year-over-year (YoY) to ₱2.1 billion. Core net income, which excludes one-off gains, grew at a faster pace of 13% YoY.

It is worth noting that our 2022 core net income is also 27% higher than pre-pandemic 2019 core net income of ₱1.7 billion. Our maintained earnings growth trajectory even amidst the COVID-19 pandemic and macroeconomic headwinds is a testament to the viability of our strategy.

Rental revenues improved 9% to ₱2.2 billion, accounting for 52% of total. The growth in rental revenues was driven by increased take-up in the newly opened commercial buildings and boosted by a notable surge in parking revenues as mobility spiked to higher than pre-pandemic level.

Residential revenues rose over two-fold to ₱1.3 billion on the back of a higher number of units qualified for revenue recognition and faster construction progress. In September 2022, DMW topped off the fourth and final tower of MidPark.

We maintained a net cash position of ₱2.4 billion in 2022. Current ratio remained high at 1.6x. With our continuously growing earnings and robust financial standing, we were able to grow our cash dividends by 23% to ₱0.07 per share from ₱0.06 a year ago. This marks DMW's fifth consecutive year of dividend payout since we went public and our highest dividend thus far. Our ability to sustain cash dividend growth while simultaneously executing on all our expansion initiatives attests to the strength of our financial position, and it demonstrates our steadfast commitment to improving shareholder value.

Recognitions

We are proud to report that our team's hard work and dedication have been recognized through various awards and high corporate ratings in 2022.

We celebrated big wins at the 10th Philippine Property Awards by PropertyGuru as we bagged the Best Completed Condo Development for Pixel Residences and the Highly Commended Award for 8912 Asean Ave in Best Office Architectural Design.

On Sustainability, DMW ranked in the top 12% of S&P-assessed real estate companies globally as of February 2023.

Appreciation and thanks

As we move into 2023, we remain committed to improving shareholder value through maintaining our approach of pursuing growth opportunities while conscientiously managing risks.

To our esteemed shareholders, I extend my sincere gratitude for your continued support as we navigate through these uncertain times. With the guidance of our Board of Directors and the concerted efforts of our team, we remain committed to demonstrating the highest level of resilience and positioning DMW for sustained growth in the future.

DELFIN ANGELO C. WENCESLAO
Chief Executive Officer

Business Overview and Outlook

Aseana City

DMW's landbank in Aseana City is one of the largest and most contiguous mixed-use landbanks in Metro Manila, comprising 56 hectares of land nestled between two massive recreational and entertainment districts – PAGCOR's Entertainment City and the SM Group's Mall of Asia Complex.

In contrast to other business districts in Metro Manila such as Makati, Ortigas, and Fort Bonifacio where large, prime commercial tracts of land have already been exhausted, Aseana City still has a sizable land reserve which provides decades' worth of runway for sustainable long-term growth. Of DMW's 56 hectares landbank in Aseana City, 28 hectares remain as land reserves for future development.

Aseana City boasts of a strategic location that is highly accessible and well-connected to major destinations. The country's main gateway – Ninoy Aquino International Airport (NAIA) – is only five to ten minutes away from Aseana City via the NAIA Expressway (NAIAx). The Parañaque Integrated Terminal Exchange (PITX), which provides a transport link to various CBDs in the Metro and to provincial destinations in the south, is less than two kilometers away. Moreover, Aseana City will soon have a dedicated station in the LRT Line 1 Cavite Extension, which is expected to start operations in 2024. This major infrastructure project will cut in half the travel time to and from the labor-rich regions south of Metro Manila.

ONE OF THE LARGEST AND MOST CONTIGUOUS MIXED-USE LANDBANKS IN METRO MANILA

56has

VALUE OF DMW'S ASSETS IN ASEANA CITY AS PER COLLIERS INTERNATIONAL

₱227B

With its prime location, master-planned community, top-notch facilities, and best-in-class locators, Aseana City is well-positioned for an even stronger growth.

In December 2022, Colliers International valued DMW's assets in Aseana City at ₱227 billion, higher compared to their ₱220 billion valuation of the same assets in the prior year. This valuation has been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Global Valuation Professional Standards, incorporating the International Valuation Standards of the International Valuation Standards Council (IVSC), and the Philippine Valuation Standards (PVS).

CEO's Perspective: Advancing Quality of Life with Sustainable Urban Design

Our commitment to advancing quality of life is at the heart of sustainable urban design principles in Aseana City. We strive to create a city that is more than just a place to do business or live; it is a community that fosters well-being and social integration.

We take a holistic approach to city planning and design, recognizing the profound impact that a well-designed city can have on the physical, social, and mental well-being of its residents and locators. By prioritizing green spaces, public amenities, and a balanced mix of residential, commercial, and institutional locators, we create a dynamic and integrated community that promotes a high quality of life.

One key aspect of our approach is to ensure that Aseana City is a walkable community. We recognize that a well-designed and connected pedestrian infrastructure is essential to promoting physical activity, reducing reliance on cars, and creating a more sustainable and inclusive environment. To this end, we have developed well-positioned pedestrian lanes, bike lanes, and elevated walkways across the estate. Our comprehensive security system also ensures that everyone in Aseana City feels safe and secure.

At D.M. Wenceslao, we are proud to be part of the movement towards creating cities that prioritize well-being and quality of life.

TOTAL LEASED OUT LAND IN 2022

166,015 sqms

LAND LEASE REVENUES IN 2022

₱1.0B

LAND LEASE EARNINGS CONTRIBUTION TO DMW'S TOTAL REVENUES

24%

Land Leasing

DMW leases land to quality tenants with planned developments that will contribute to the overall growth of Aseana City. To this end, the Company generally enters mid to long-term leases ranging from 10 to 50 years with yearly escalation rates of 5% to 10%. In select leases, DMW also collects variable rent based on the tenant's revenues.

In 2022, DMW's leased out land increased to 166,015sqms from 150,444sqms in 2021, primarily due to St. Luke's Medical Center, Inc.'s lease of a 13,896sqm parcel of land. The 50-year lease period commenced in the third quarter of 2022. St. Luke's Medical Center is recognized as the leading and most respected healthcare institution in the Philippines. St. Luke's Medical Center solidifies Aseana City's status as a top mixed-used CBD destination of best-in-class institutions in the country.

St. Luke's joins a distinguished roster of land lessees in Aseana City, which includes the largest Ayala Mall in the country, major membership shopping chains, international schools, restaurants, car dealerships, and gasoline stations, among others.

Revenues from land leasing increased to ₱1.0 billion largely driven by the commencement of St. Luke's land lease and boosted by rental escalation. Land lease earnings accounted for 24% of DMW's total revenues.

Commercial Leasing

DMW leases commercial space to traditional office locators, shipping and manning companies, logistics firms, BPOs, gaming and tourism-related tenants, retail, and F&B, among others. Lease terms range from three to ten years with a fixed annual escalation rate of 5% to 10%.

In 2022, DMW's commercial leasing space stood at 162,351sqms, this represents a massive 81% increase from its pre-pandemic total of 89,914sqms in 2019.

In the fourth quarter of 2021, the Company completed its largest and most prime office development to date, the 69,000sqm 8912 Asean Ave. This 15-storey building is located along Asean Avenue, with convenient access to retail options at Ayala Mall Manila Bay just across the street.

In addition to the completion of 8912 Asean Ave, DMW has also advanced its diversification efforts with the completion of 58 Jupiter in Jupiter Street Makati. This five-story mixed-use building offers over 2,000sqms of gross leasable area (GLA) that caters to both food and non-food merchants.

The increased take-up in the newly opened commercial buildings has driven a 14% year-on-year increase in commercial building and other leasing revenues, which amounted to ₱1.2 billion. Furthermore, the company's parking revenues have also increased significantly due to better mobility throughout the year. Commercial building and other leasing revenues account for 28% of DMW's total revenues.

TOTAL COMMERCIAL LEASING SPACE

162,351 sqms

COMMERCIAL BUILDING AND OTHER LEASING REVENUES

₱1.2B

CONTRIBUTION OF COMMERCIAL BUILDING AND OTHER LEASING REVENUES TO DMW'S TOTAL REVENUES

28%

Parqal is a collection of nine independent four-storey buildings whose architectural expression has a modernized approach to the "*Bahay-na-Bato*" – the Philippines' vernacular architecture derived from Hispanic and Chinese influences. The lower floors are designed to host retail and F&B shops whereas the upper floors will be home to offices.

According to studies, office tenants are now looking for spaces that offer not only functionality but also unique experiences and a sense of community; real estate pundits have dubbed this as the "Flight to Experience". With its amenities, public landscapes, and top-tier retail and F&B shops, Parqal is well-positioned to benefit from tenants' shifting preference towards experiential office environments.

Spotlight: Parqal

Through uninterrupted construction, DMW's flagship project Parqal has reached 89% of completion as of December 2022 and is now set to open in 2023.

'Parqal', a wordplay from 'park' and '*kalye*' (street), aptly captures Aseana City's tenets of livability and walkability. In the middle of Parqal is a climate-protected linear park brimming with greenery. Protecting Parqal-goers from Metro Manila's dynamic weather conditions is a canopy with an iconic look that accentuates the grandeur of Aseana City.

With over 70,000sqms GLA, Parqal sits on five hectares of land stretching from Diokno Avenue to Macapagal Boulevard, 60% of its total area is dedicated to lush green landscapes and recreational facilities. Parqal blurs the lines between public and private space by integrating public amenities into the commercial development.

Testament to DMW's commitment to sustainability, Parqal was designed and constructed to meet the rigorous certification requirements of the Philippine Green Building Council's Building for Ecologically Responsive Design Excellence (BERDE) which has stringent criteria on energy consumption, GHG emissions, water consumption, and waste generation, among others. Parqal has received the highest possible rating of 5 stars from BERDE during the phase 1 certification.

RESIDENTIAL REVENUES
₱1.3B

YEAR-ON-YEAR GROWTH OF RESIDENTIAL REVENUES
+103%

Residential Sales

DMW complements its leasing businesses with residential offerings that are strategically positioned in its master-planned estate to leverage on a live, work, and play community.

DMW is currently constructing and pre-selling its second residential project, the 669-unit MidPark Towers. MidPark is a modern architectural masterpiece located in close proximity to Ayala Mall Manila Bay and DMW's own 5-hectare mixed-use green development – Parqal.

In September 2022, DMW already topped off the fourth and final tower of MidPark, and by the end of 2022 completion rate reached 52%. Over three-quarters of the launched MidPark Tower units have already been pre-sold. Testament to the quality of DMW's residential buyers, cancellations remained minimal despite the pandemic and macroeconomic headwinds.

Residential revenues jumped more than two-fold to ₱1.3 billion on the back of a higher number of units qualified for revenue recognition and faster construction progress.

Land Sales

DMW has parcels of land inside Aseana City that are allocated for future sale. These are non-core plots to its own development masterplan and are available for sale exclusively to like-minded parties with planned developments that will contribute to the overall growth and community of Aseana.

In January 2022, DMW completed the sale of a 1,790sqm parcel of land in Aseana. The lot forms part of the land that was allocated for future sales. Notably, the price at which the sale closed was ₱440,000 per sqm, which is even higher than its 'pre-pandemic' 2019 land sale at ₱425,000 per sqm and over thrice as much of its 2015 land sale, which was transacted at ₱125,000 per sqm. This affirms the growth trajectory of asset prices in Aseana City, notwithstanding the pandemic.

Post-transaction, DMW's remaining available land for sale stood at ~4,200sqms.

Construction

DMW is one of few certified AAAA contractors in the country, boasting 58 years of operating history in land reclamation and infrastructure construction. To date, DMW has reclaimed over 2.4mn sqms of land and over 140 construction projects, including public roads, ports, and bridges throughout the Philippines.

DMW's proven track record and execution capacity allows it to undertake large-scale construction and reclamation projects if and when practicable.

Given the rapid rise of Aseana City, DMW's construction business currently prioritizes completing its internal development pipeline and the overall build-out of Aseana. In select land sales and land lease agreements, DMW negotiates a right to match the lowest bid for certain construction works. Such allows DMW opportunities for its construction segment to generate additional revenues.

“We remain steadfast in our commitment to a balanced approach that recognizes the importance of managing risks while pursuing growth opportunities.”

Outlook

Philippine Economy

In the midst of a challenging global landscape, the Philippine economy exhibited resilience and sustained its recovery in 2022. Owing to its strong economic fundamentals, the country achieved a strong GDP growth rate of 7.6%.

However, the economic recovery has not been without challenges. The Ukraine-Russia war led to inflationary pressures around the world. Philippine inflation rate reached 5.8% and in response, the BSP raised its policy rate by a total of 350bps in 2022. Despite higher interest rates, inflation remained at elevated levels and the BSP continued to hike interest rates early in 2023.

Property Market

The Metro Manila property market remained resilient in the face of new challenges.

Notably, the office segment showcased strong recovery, with Colliers reporting a 2022 net take-up of 110,000 square meters. While this figure falls short of the 2018 to 2019 take-up levels, it marks the first positive net office take-up since the onset of the pandemic in 2020.

The office vacancy rate in the Metro currently stands at 18.8%, mainly due to the addition of 750,000 square meters of new office supply in 2022. However, Colliers anticipates a further improvement in office demand, forecasting a net office take-up of 228,000 square meters in 2023. This forecast is more than double the net take-up recorded in 2022, signaling a positive trend in the market’s recovery.

In the residential sector, development activities continued to pick up pace, resulting in the delivery of 9,000 condominium units throughout Metro Manila in 2022. The Manila Bay Area was responsible for the majority of new supply, overtaking the Makati CBD in terms of residential unit stock. Moreover, it is projected to surpass Fort Bonifacio by 2025.

Despite a high interest rate environment, residential demand continued to improve, with a total of 20,000 units taken up in 2022. Notably, the luxury segment, defined by Colliers as units priced at ₱8 million and above, accounted for more than one-third of total take-up.

Managing Risks for Long-Term Sustainable Growth

We remain steadfast in our commitment to a balanced approach that recognizes the importance of managing risks while pursuing growth opportunities. Our philosophy has served us well, enabling us to navigate through the challenges of a rapidly changing business landscape.

In 2023, we anticipate continued growth in our leasing segment, driven by several factors. These include the increased take-up of commercial space in newly opened buildings, such as 8912 Asean Ave and 58 Jupiter, the first full-year booking of land lease revenues from St. Luke’s Medical Center’s 1.4ha lease, and the planned opening of our flagship project – the over 70,000sqm Parqal – in the second half of the year. With the completion of Parqal, our total gross leasable area will increase by 43% to a total of 232,499sqms.

Meanwhile, our residential business will continue to be driven by the sustained construction progress of MidPark Towers and the continuous increase in the number of accounts qualified for revenue recognition. As of end-2022, MidPark Towers already reached 52% completion.

In the offing is the launch of One Parq Suites, our third residential project. One Parq Suites is expected to add around 30,000sqms of saleable floor area to our inventory and will complement the continued build-out of commercial assets in Aseana City.

As we pursue our expansion initiatives, we remain focused on maintaining a robust balance sheet that supports our long-term sustainable growth targets.

Sustainability Report

ABOUT THIS CHAPTER

Tenets of sustainability have long been embedded throughout the operations, building practices, and overall business philosophy of D.M. Wenceslao & Associates, Inc. ("DMW" or "the Company"). This year, DMW continues to report on the progress of its sustainability journey through its Five Pillars of Sustainability.

This chapter has been written in accordance with the Philippine Securities and Exchange Commission (SEC)'s annual sustainability reporting requirements and is informed by globally recognized Sustainability Reporting standards. It showcases how environmental, social, and governance (ESG) impacts, risks, and opportunities are managed across the Company's operations, in alignment with DMW's material Sustainability topics and the United Nations Sustainable Development Goals (SDGs).

COMPANY INFORMATION

Company Details

D.M. Wenceslao & Associates, Incorporated ("DMW" or "the Company") is an integrated property developer specializing in land reclamation, construction, and real estate development. DMW is an "AAAA" licensed contractor with a 58-year corporate history. Since 1965, the Company has reclaimed more than 2.4 million sqm of land, leased-out or developed 300,000 sqm of land and buildings, and completed over 140 construction and infrastructure projects, including large, complex government developments throughout the Philippines.

DMW is the master developer and primary owner of Aseana City, with a total land area of 107.5 hectares located along the coastal waters of Manila Bay, bordering the City of Pasay and the City of Parañaque. Table 1 shows DMW's operational commercial and residential assets as of writing.

Table 1. Operational DMW Assets

Project	Location
Aseana One	Aseana City, Parañaque City, Metro Manila
Aseana Two	Aseana City, Parañaque City, Metro Manila
Aseana Three	Aseana City, Parañaque City, Metro Manila
Aseana Power Station	Aseana City, Parañaque City, Metro Manila
Aseana Square	Aseana City, Parañaque City, Metro Manila
Aseana Town Center	Aseana City, Parañaque City, Metro Manila
S&R Building (Second Floor)	Aseana City, Parañaque City, Metro Manila
8912 Asean Ave	Aseana City, Parañaque City, Metro Manila
Pixel Residences	Aseana City, Parañaque City, Metro Manila
DMWAI Building	Quezon City, Metro Manila
58 Jupiter	Jupiter, Makati City, Metro Manila
Erlag Building	Legazpi, Makati City, Metro Manila

DMW is headquartered in Aseana 3, Asean Ave cor. Diosdado Macapagal Blvd, Aseana City, Parañaque, Metro Manila.

Scope

This chapter covers the key performance indicators for the Company's material ESG topics from January 1 to December 31, 2022. This report highlights DMW's year-over-year (YoY) performance in various ESG categories and key sustainability activities and performance.

The information contained in this chapter applies to the legal entities and properties within these entities indicated below:

- Aseana Residential Holdings Corp. (ARHC) – wholly-owned DMW subsidiary and exclusive residential arm. ARHC currently has two low-density residential projects within its portfolio:
  - Pixel Residences, a 170-unit development currently on ready-for-occupancy (RFO) status
  - MidPark Towers, a 4-tower development with 669 large format units (currently under construction and not included in this report)
- Aseana Holdings, Inc. (AHI) – 100% owned DMW subsidiary that caters to the development potential of Aseana City. The following completed office and commercial properties under AHI: Aseana One, Aseana Two, Aseana Three, 8912 Asean Ave, Aseana Powerstation, and Aseana Square are covered in this report.
- U-City Technologies Philippines, Inc. – operates the smart city, public city, and surveillance services for Aseana City.
- Aseana City Transport and Travel Corporation – established to operate public utility transport services for Aseana City.
- Fabricom, Inc. – operates the importation of heavy equipment and machinery for the Group. DMW Field Office serves as the main office for Fabricom, Inc.
- Aseana Real Estate Services and Management Corporation – operates the property management services of the Group.

Mr. Benigno A. Tatunay, DMW's Chief Finance Officer, is the highest-ranking person responsible for this report.

MATERIALITY PROCESS

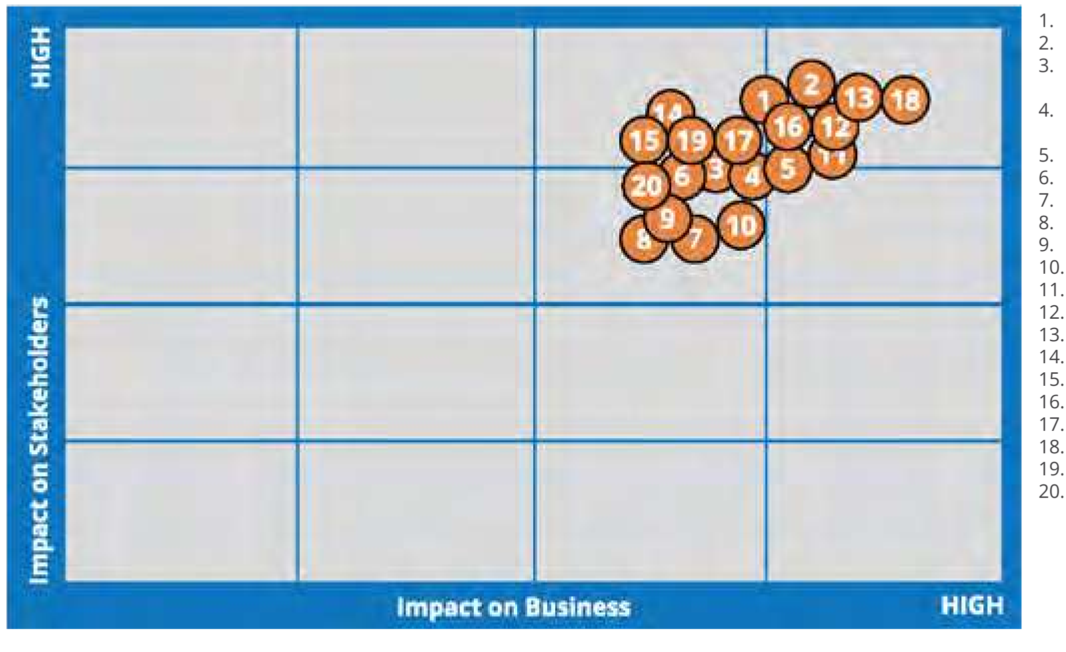
Materiality

In accordance with the SEC Guidelines, the content of this chapter is informed by the principle of materiality. It focuses on the economic, environmental, social, and corporate governance aspects of DMW's operations and activities in the Philippines and the Company's approaches to the material ESG topics listed below.

The Material Sustainability Topics established in 2021 remain the same for 2022. The process of selecting these material ESG topics included 1) conducting stakeholder engagement and employee engagement surveys; 2) holding two-way conversations within DMW's workforce; and 3) hosting senior leadership workshops to determine the impact of identified material sustainability topics. The resulting list incorporates the Company's core values, mission, and vision in an articulated set of ESG priorities.

The materiality matrix below reflects the Company's perception of these topics' impacts on its business and stakeholders. The Company's Material Sustainability Topics are approved by its Chief Executive Officer.

Figure 1. Material Sustainability Issues



1. Health and Safety*
2. Customer Satisfaction
3. Pedestrian Mobility and Transportation
4. Access to Needed Facilities and Infrastructure
5. Disaster Risk Resilience
6. Innovation
7. Energy Efficiency
8. Water Conservation
9. GHG Emissions
10. Waste Management and Recycling
11. Environmental Compliance
12. Business Conduct and Ethics**
13. Risk Management
14. Human Rights***
15. Employee Retention
16. Employee Well-Being
17. Human Capital Development
18. Economic Value Generated
19. Employment Generated
20. Local Purchases

**Health and Safety covers Customer Health and Safety and Occupational Health and Safety.*
***Business Conduct and Ethics include Corruption & Bribery, Fair-dealing, Whistle Blowing, and Data Privacy*
****Human Rights includes Child labor, Forced labor, Discrimination, and Harassment*

Stakeholder Engagement

Stakeholder engagement involved internal and external stakeholders: brokers, customers, employees, shareholders, investors, government and regulatory bodies, business partners and suppliers, and local community groups. DMW engages regularly and extensively with these stakeholder groups to promote understanding and dialogue regarding the Company's material ESG topics.

Table 2. Summary of Key Stakeholder Engagement Activities

ENGAGEMENT CHANNELS AND FREQUENCY	MATERIAL TOPICS	COMPANY'S RESPONSE
BROKERS		
Broker's Day	Customer Experience	Quality product offers
CUSTOMERS		
• Press releases (regular) • Corporate sponsorships • Media placements • Distribution of collaterals • Open houses (monthly) • Corporate sponsorships (occasional) • Company hotlines	• Safe, secure, and clean environment • Quick turnaround time • Complaints resolution • Customer experience • Connectivity • Disaster risk reduction efforts • Access to world-class facilities • Innovation	• 24/7 building management • Master-planned city development (value-adding tenants to estate, construction of walkways, pedestrian and bike lanes) • Resolution of customer complaints • CCTVs covering the entire estate • Incorporation of disaster risk resilient features in the planning and build out of the whole Aseana City • Regular on-site inspection of flood hazard and storm surge levels, followed by the on-going formulation of necessary technical adjustments to sea wall and drainage system treatment across the estate • Safety-seal certified mixed-use and office buildings in Aseana • Pledged 352,919 sqm of office and mixed-use buildings to support the International Finance Corporation's (IFC) Building Resilience Index initiative
EMPLOYEES		
• Employee consultations (quarterly) • Extracurricular events/ activities (occasional) • Training sessions (as planned) • New employee orientation	• Health and safety • Work-life balance • Training and development • Human rights • Employee retention	• Employee Code of Conduct • Human Rights Commitment, Anti-Corruption Policy, Whistleblowing Policy • Social events • Employee engagement activities • Skills and competency development through training and seminars • Orientation and property tour • Hybrid work arrangements • Flexible working hours • DMW Employee Career Pathing

ENGAGEMENT CHANNELS AND FREQUENCY	MATERIAL TOPICS	COMPANY'S RESPONSE
SHAREHOLDERS/INVESTORS		
• Stockholder meeting (annual) • Investor briefings (quarterly) • Non-deal roadshows (at least 2x/ year) • Investor conferences/ corporate access events (at least once a year) • One-on-one meetings, emails, and conference calls (regular) • Site tours (at least 4x/year) • Philippine Stock Exchange (regular) • Company website (regular)	• Financial and operating performance • Effective risk management • Good governance • ESG related performance • Operational eco-efficiency (energy efficiency, waste management, water conservation, GHG emissions)	• Submission of structured and unstructured continuing disclosures • Regular investor and analyst access to management through multiple communication channels and events • Annual participation in S&P Corporate Sustainability Assessment
GOVERNMENT AND REGULATORY BODIES		
• Review of compliance requirements (as needed) • Meetings	• Environmental compliance • Compliance with other regulations • Economic value generated • Employment generated	• Acquisition of proper permits • Environmental Policy • Waste Management Policy • Monitoring of activities • Payment of appropriate taxes
BUSINESS PARTNERS AND SUPPLIERS		
• Contractual agreements • Alignment meetings	• Compliance with contractual obligations • Work-site safety • Labor practices • Ethical Business Conduct (Corruption, Bribery, Data Privacy, Fair Dealing, Whistleblowing)	• Procurement through proper channels • Supplier Code of Conduct • Human Rights Commitment, Anti-Corruption Policy, Whistleblowing Policy, Data Privacy Policy
LOCAL COMMUNITIES		
• Nutrition assistance • Scholarship (annual) • Medical and funeral assistance (as needed) • Livelihood programs (as planned)	• Programs intended for food, education, general welfare, and livelihood	• Enforcement of the mission of the foundation

SUSTAINABILITY PILLARS

DMW strives to be the leading city developer in the country, aiming to create city-scale real estate products which will contribute to sustainable local and national development. DMW's sustainability framework guides this mission. The Company's Sustainability Framework was updated in 2021 to reflect the results of its Materiality Assessment. DMW's Material Sustainability Topics and its Sustainability Framework remain the same in 2022.

The framework consists of five pillars that provide an integrated approach to addressing the Company's material ESG topics and its commitments to the UN SDGs. Like the UN SDGs, DMW's pillars are correlated, and hand-in-hand contribute to the sustainability of DMW.

Table 3. Sustainability Pillars

Quality of Life	Environmental Stewardship	Good Governance and Ethical Business Practice	People-Centric Labor Practices	Economic Development
The masterplan for DMW's estate and projects is centered on providing world-class quality of living to its locators and customers through immediate access to necessary facilities and infrastructure, cleanliness and safety, pedestrian mobility, and constant innovation to align with emerging tenant needs amid ever-changing times.	DMW recognizes corporations' role as stewards of the environment. Across the organization, natural resources are used efficiently with energy and water conservation and waste management and recycling programs in place. DMW's developments are planned and constructed to judiciously reduce consumption and emissions.	Good governance and adherence to ethical business practices are embedded in the Company's DNA. This allows DMW to forge relationships with its business partners built on the foundation of mutual trust.	Just as DMW prioritizes the quality of life of its tenants, the company is also committed to ensuring the well-being of its employees, contractors, and partners through fundamental respect for human rights, providing avenues for growth, and ensuring a safe and conducive work environment.	As one of the top Philippine property companies in terms of market capitalization, DMW recognizes its role in contributing to the Philippine economy through taxes, local procurement, and employment generation.
• Customer Health and Safety • Customer Satisfaction • Pedestrian Mobility and Transportation • Access to Needed Facilities & Infrastructure • Disaster Risk Resilience • Innovation	• Environmental Compliance • Energy Efficiency • Water Conservation • GHG Emissions • Waste Management and Recycling	• Business Conduct and Ethics (Corruption, Bribery, Data Privacy, Fair-Dealing) • Risk Management	• Human Rights (Child labor, forced labor, discrimination, harassment) • Employee well-being • Employee Retention • Human Capital Development • Occupational Health and Safety	• Economic value generated • Employment generated • Local purchases
GRI 203: Indirect Economic Impacts GRI 416: Customer Health and Safety	GRI 302: Energy GRI 303: Water and Effluents GRI 305: Emissions GRI 306: Waste GRI 307: Environmental Compliance	GRI 205: Anti-Corruption	GRI 202: Market Presence GRI 401: Employment GRI 403: Occupational Health & Safety GRI 404: Training and Education GRI 405: Diversity and Equal Opportunity GRI 406: Non-Discrimination GRI 408: Child Labor GRI 409: Forced Labor	GRI 201: Economic Performance GRI 401: Employment

> "DMW aims to create city-scale real estate products which will contribute to sustainable local and national development."

The Company's contributions to UN SDGs and management approach to material sustainability topics are discussed in the following sections.

Quality of Life

The Philippine Development Plan 2023-2028 established a framework to promote livable communities, highlighting the importance of strengthening social cohesion, disaster risk resilience, green and open spaces, and availability of public and active transport, among others.

The Company has always championed improving the livability of communities. Providing estate residents and locators with an elevated quality of life is a key value proposition of DMW's real estate products. As such, over 30% of the Company's Material Sustainability Topics are clustered under the Quality-of-Life pillar.

The pandemic has highlighted the importance of this Sustainability Pillar, as health and safety; pedestrian mobility; access to needs; and innovation became top-of-mind considerations of estate residents and locators.

DMW holistically develops Aseana City as a place where people can live, work, and form meaningful connections; the Material Topics and UN SDGs in Table 4 guide this development path.

Table 4. Material Topics under Quality of Life

Material topics	UN SDGs
Customer Health and Safety Customer Satisfaction Pedestrian Mobility and Transportation Access to Needed Facilities & Infrastructure Disaster Risk Resilience Innovation	SDG 3: Good Health and Well-being SDG 9: Industry, Innovation, and Infrastructure SDG 11: Sustainable Cities and Communities SDG 13: Climate Action SDG 16: Peace, Justice, and Strong Institutions

Customer Health and Safety

Health-and-safety took center stage when the pandemic struck. Proper sanitation and well-ventilated spaces became necessities rather than added features.

Since the beginning of the pandemic, the Company has responded with urgency -- appointed and trained safety marshals, conducted regular disinfection and sanitation, strictly complied with protocols on contact tracing, installed temperature checks, placed well-positioned disinfecting sprays and mats across properties, constantly communicated with building tenants, and continuously engaged with property managers to guarantee that updated protocols were being followed. Apart from this, the Company successfully obtained Safety Seal certifications for its office and mixed-use buildings in Aseana. This voluntary certification scheme affirms that establishments comply with the minimum public health standards set by the government and is integrated with the StaySafe.ph digital contact-tracing app.

As soon as the vaccines became available, DMW immediately launched its vaccination program, achieving 100% employee and estate personnel vaccination rate by the end of 2021. This helps ensure the safety of the Company's personnel themselves and the safety of Aseana City residents and locators they deal with.

Even as the country already transitioned to an endemic phase and learned to live with the virus in 2022, the relevance of COVID-redefined health and safety standards did not wane. As such, DMW continued to amplify its efforts to create a safe and healthy environment in Aseana City. Among other highlights, the Company attained over 80% booster-vaccination rate of employees and estate personnel by the end of 2022.

In terms of public safety and security, Aseana City features smart city services such as closed-circuit television (CCTV) surveillance and emergency notification systems. Cameras are positioned strategically over the main focal points of the development and equipped with emergency buttons to activate a two-way emergency response call system. Estate personnel are present across Aseana City and have assisted or responded to 526 vehicular accidents and attempted offenses in 2022. Aseana City and its security personnel are consistently recognized by the Parañaque City Police Station for their exemplary effort and active participation in enforcing the law and maintaining peace and order.

The Company's project management team assesses and implements health and safety improvements on DMW's projects on an ongoing basis. Notably, the Company maintained zero incidences of non-compliance with government health and safety regulations.

Table 5. Assessment of Product Health and Safety Impact

	2020	2021	2022	% Latest YOY Change
Percentage of real estate products assessed for health and safety impacts	100%	100%	100%	No Change

Table 6. Incidents of Non-Compliance with Health and Safety Regulations

	2020	2021	2022	% Latest YOY Change
Incidents of non-compliance with regulations resulting in a fine or penalty	0	0	0	No Change
Incidents of non-compliance with regulations resulting in a warning	0	0	0	No Change

Customer Satisfaction

Monitoring customer feedback allows the Company knowledge on the concerns of its residents and locators, providing valuable points for improvement. To date, there have been no substantiated customer complaints on privacy, marketing and labeling, and health and safety.

For our Customer Experience Survey, we used the Net Promoter Score (NPS) as a metric to better assess client satisfaction. Various insights are gained from NPS calculations, such as customer experience and general brand perception.

A 10-point scale survey was used with values ranging from "poor" to "excellent." Customers who responded with ratings ranging from '1' to '6' were treated as 'detractors'; '7' to '8' – 'passives'; and '9' to '10' – 'promoters.' To arrive at the net promoter score, the percentage of 'detractors' is deducted from the percentage of 'promoters.' Bain & Company, the creators of NPS, suggest that a score above 0 is 'good' and indicates general customer satisfaction, a score above 20 is 'favorable', and above 50 is 'excellent.'[1]

Table 7 summarizes the Company's NPS over the past three years across Aseana 1, Aseana 2, and Aseana 3. In 2022, DMW expanded its NPS coverage to include Aseana Powerstation. DMW's average scores for each establishment range from 'good' to 'excellent' (Aseana 1 = 39.0, Aseana 2 = 16.0, Aseana 3 = 47.0, Aseana Powerstation = 59.0). Both Aseana One and Aseana Three reported significant improvements in NPS while Aseana Powerstation, which started its customer satisfaction survey in 2022, attained an 'excellent' NPS of 59.0. Among the salient drivers of high NPS scores were A) quick response of building management team; B) top-tier security services; C) well-maintained and clean assets; and D) successful COVID mitigation and response.

On Aseana 2, while its NPS remained 'good', a year-over-year decline was logged. The primary reason was a reported aircon downtime in the property. The property management team has resolved the issue within the team's internally set acceptable resolution time. Aside from resolving the issue, the team has placed additional controls to prevent the recurrence of such issues moving forward.

We will continue to conduct this survey to remain updated with the evolving needs of our customers and from there, continue to recalibrate and improve our approach.

1 Good NPS score

Table 7. Summary of NPS for Aseana One, Two, and Three

Average Customer Experience Survey scores by property (NPS):	2020	2021	2022	% Latest YOY Change
Aseana One	18.1	26.2	39.0	48.85%
Aseana Two	13.8	22.4	16.0	-28.57%
Aseana Three	9.2	9.9	47.0	374.75%
Aseana Powerstation	Not available	Not available	59.0	N/A
Average*	13.7	19.5	40.25	N/A
Did a third party conduct the customer satisfaction study? (Y/N)	N	N	N	N/A

**Average for Aseana One, Aseana Two, and Aseana Three in 2020 and 2021 and average for Aseana One, Aseana Two, Aseana Three, and Aseana Powerstation in 2022*

The Company's close monitoring of customer and stakeholder feedback, immediately followed by necessary corrective actions or improvements, allowed for 0 substantiated complaints on product health and safety, marketing and labeling, and customer privacy. Further, DMW strictly adheres to its Data Privacy Policy and Health & Safety Policy.

Table 8. Substantiated Complaints

	2020	2021	2022	% Latest YOY Change
No. of substantiated complaints on product or service health and safety	0	0	0	No Change
No. of complaints addressed	0	0	0	No Change
No. of substantiated complaints on marketing and labeling	0	0	0	No Change
No. of complaints addressed	0	0	0	No Change
No. of substantiated complaints on customer privacy	0	0	0	No Change
No. of complaints addressed	0	0	0	No Change

Pedestrian Mobility and Transportation

Mobility and means for active transportation are crucial to DMW's mission of creating sustainable city-scale real estate products.

Well-positioned pedestrian lanes, bike lanes, and skywalks allow for a truly walkable estate and inclusive ease of access – not only accessible to public and private motor vehicles but also to pedestrians, bikers, and the like.

Currently, Aseana City has 16,840.00 m of pedestrian lanes which comprise 59% of the estimated total of 28,404 m once Aseana is fully built, whereas skywalks and bike paths stand at 772 m and 2,509 m as of end-2022. These skywalks and bike paths are expected to increase over five-fold to 4,412 m and 16,315 m upon full-build out of Aseana City.

These upcoming pedestrian lanes, skywalks, and bike lanes will complement the continued development of office, retail, F&B, condominiums, shopping warehouses, hospitals, and other mixed-use buildings in Aseana.

Table 9. Pedestrian Lanes, Skywalks, Bike Lanes

	2020 (in meters)	2021 (in meters)	2022 (in meters)	Estimate upon full build-out of Aseana City (meters)
Total length of pedestrian lanes	16,840 (59% of total)	16,840 (59% of total)	16,840 (59% of total)	28,404
Total length of skywalk connection	587 (13% of total)	772 (17% of total)	772 (17% of total)	4,413
Total length of bike path/lane	0	2,509 (15% of total)	2,509 (15% of total)	16,315

Access to Needed Facilities & Infrastructure

DMW's master plan for Aseana City is centered on creating a genuinely mixed-use city where the community has immediate access to necessary facilities. Aseana is being developed as a "Next Generation" central business district (CBD) in Metro Manila—with a growing number of best-in-class recreational and entertainment outlets, commercial and retail developments, prime office space, residential condominiums, grocery warehouses, and a large-scale hospital.

Through this holistic development approach, estate residents, tourists, and office workers are granted means to live, work, commune with nature, and pursue entertainment options all within Aseana City.

Building on the growing community of Aseana and the need for religious spaces, DMW opened the Church of St. John Paul II to the public. Inspired by the papal hat or mitre, the Church of St. John Paul II is an imposing edifice welcoming all locators and visitors of Aseana. The Church has scheduled weekly masses for religious devotees.

DMW's flagship commercial project, Parqal, is set to open this year. 'Parqal', a wordplay from 'park' and 'kalye', aptly captures Aseana City's tenets of livability and walkability. In the middle of Parqal is a climate-protected linear park brimming with greenery. Protecting Parqal-goers from dynamic weather conditions is an ETFE canopy with an iconic look that illuminates Aseana City.

Parqal sits on five hectares of land stretching from Diokno Avenue to Macapagal Boulevard, 60% of its total area is dedicated to lush green landscapes and recreational facilities.

Dubbed as the "best-looking mall in the Philippines" by distinguished real estate and infrastructure pundits, Parqal is a collection of nine independent four-storey buildings whose architectural expression has a modernized approach to the "Bahay-na-Bato" – the Philippines' vernacular architecture derived from Hispanic and Chinese influences. The lower floors are designed to host retail and F&B shops whereas the upper floors will be home to offices.

Parqal is perceived to be one of the metro's top tourist hubs, boasting its impressive architectural design, first-rate retail and commercial outlets, prominent green spaces, and proximity to public transportation. Standing on five hectares of land, Parqal reimagines the street park experience into an integrated urban street with modern conveniences.

Through land leases, DMW attracts highly prized tenants with developments that accrue to the holistic development of Aseana City. In the first half of 2022, DMW signed a 50-year contract of lease with St. Luke's Medical Center, Inc. for a 1.4ha parcel of land in Aseana City.

St. Luke's Medical Center is widely recognized as the leading and most respected healthcare institution in the Philippines. This development will allow Aseana's community immediate access to world-class quality healthcare services and high-quality patient-centered care.

Through all these, Aseana City ensures a complete live, work, and play experience for its locators. DMW aims to further expand the diversity of major brands and best-in-class locators in Aseana City through its projects and partnerships with renowned and reputable institutions.

Disaster Risk Resilience

The Philippines, being in the Pacific Ring of Fire, is highly exposed to natural disasters. DMW recognizes that natural disasters and adverse weather conditions pose risks to Aseana City. As such, natural disasters are among the top risks identified in our Risk Management Manual, more comprehensively discussed in the Company's Risk Manual.

Among the strategies in place to mitigate the potential impact of natural disasters include

1. incorporation of disaster risk resilient features in the planning and build out of our buildings and the whole Aseana City in general;
2. regular on-site inspection of flood hazard and storm surge levels, followed by the on-going formulation of necessary technical adjustments to sea wall and drainage system treatment across the estate;
3. strict on-site construction protocols implemented to ensure the safety of workers during day-to-day business operations and more importantly, during adverse weather conditions; and
4. appointment of safety marshals and conduct of regular safety drills.

Early in 2022, DMW has pledged 352,919 sqm of its office and mixed-use buildings to support the International Finance Corporation's (IFC) Building Resilience Index initiative. The Building Resilience Index is a web-based hazard mapping and resilience assessment framework that stakeholders can use to assess, improve, and disclose the resilience of their projects.

Through this pledge, DMW commits to assess the resilience of our buildings assets and from there evaluate and look to develop a roadmap to further improve on disaster risk resilience. As of writing, back-and-forth coordination between the DMW Team and IFC-BRI Team is ongoing.

Innovation

DMW constantly innovates to continue thriving amidst an ever-changing business landscape.

In addressing climate change, the Company has deemed it imperative to innovate both to manage A) inward impact (or impact of climate change on DMW explained further in Disaster Risk Resilience and Climate Risk and Opportunities) and B) outward impact (or impact of the company on the environment discussed further in Environmental Stewardship).

On the digital front, the cycle of change was accentuated by the pandemic. DMW has partnered with real estate platforms like Lamudi and Dot Property to strengthen online visibility; shifted to digital marketing events such as monthly virtual presentations and webinars; offered contactless services; adopted an online payment system; and launched an online 3D property showcase application. The Aseana City Showcase App allows potential clients to view a 3D masterplan and walkthrough of Aseana City, MidPark Towers, and Parqal. Now that mobility is back to pre-pandemic level, these digital innovations still play a huge role in the Company's marketing activities either to complement marketing campaigns or to replace in part some traditional activities in view of cost-efficiency.

DMW will continue to engage with stakeholders and experts across multiple facets of the real estate business to identify trends and be able to innovate in anticipation of changes in customer needs and preferences.

Environmental Stewardship

DMW acknowledges its responsibility to manage its impact on the environment; the company is aware that its use of resources has substantial effect. Environmental stewardship has become a more urgent matter with climate change, especially since the Philippines is among the most affected countries.

DMW has taken notable strides towards environmental stewardship, especially regarding resource management. The Company has integrated into its culture and operations the conservation of energy and materials. The Company has also incorporated sustainability in designing its real estate products through energy efficiency, water efficiency, and waste minimization.

The Company's Environmental Policy outlines its environmental goals and the measures it undertakes towards achieving such goals. Embedded in the company's policy is the purchase of renewable energy through retail electricity supply contracts. In 2022, 59% of total electricity consumption is accounted for by renewable energy. The roles and responsibilities of DMW's management in achieving the environmental goals are also discussed in detail in its Environmental Policy.

The Philippine Development Plan 2023 – 2028 identifies waste minimization and proper waste disposal among its key strategies to establish livable communities. DMW's waste management strategy is guided by its Waste Management Policy which outlines how the Company strives to minimize waste and sets out protocols on proper waste segregation and handling.

DMW has an appointed DENR EMB-accredited Pollution Control Officer in compliance with the Philippine Environmental Impact State System (PD 1586), Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 (RA 6969), Ecological Solid Waste Management of 2000 (RA 9003), and the Philippine Clean Water Act of 2004 (RA 9275).

Aside from managing the impact of its operations to the environment, DMW also regularly partners with DENR for environmental projects including the Adopt an Estero Program which aims to rehabilitate the 1,404-meter Redemptorist Water Channel that stretches from Roxas Boulevard to Manila Bay, coastal cleanup activities, and tree planting programs, among others.

As discussed under each material topic, DMW aims to minimize impacts wherever possible. Note, that the country's re-opening program from COVID-related restrictions was in full effect in 2022. As such, foot-traffic and mobility in DMW's properties was significantly higher in 2022 than in 2021 and 2020. In addition, 8912 Asean Ave, which is the Company's largest office property, was operational for only 3 months in 2021 whereas in 2022, 8912 Asean Ave was in operation for the full year. Achieving 2022 consumption that is at par or even lower than 2021 and 2020 highlights the effectiveness of the Company's conservation efforts, discussed further in each Material Topic section below.

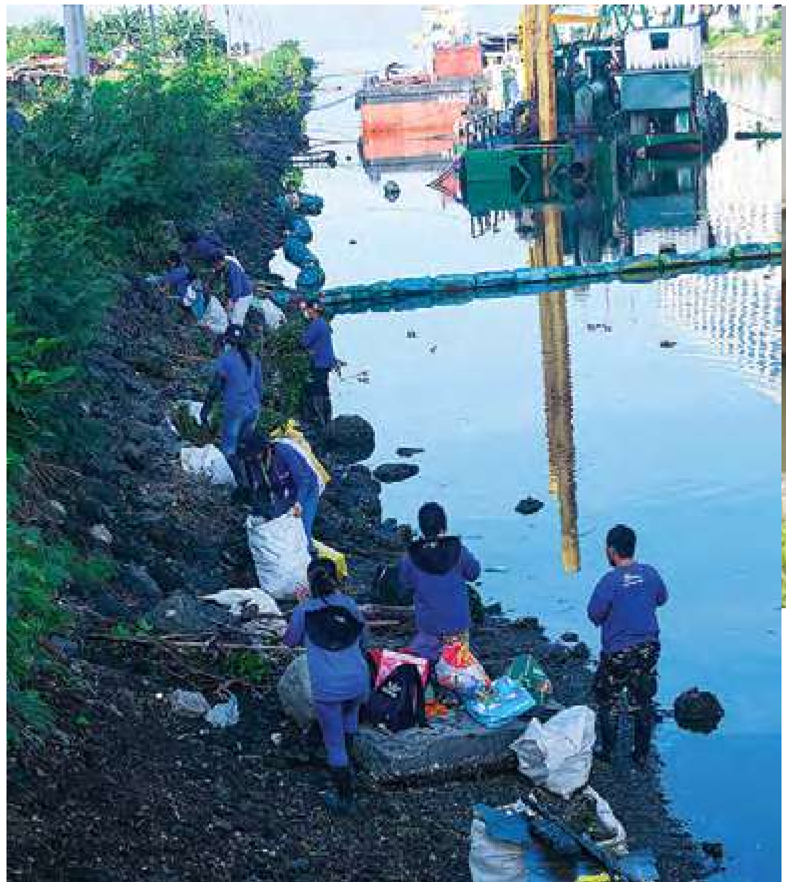


Table 10. Material Topics under Environmental Stewardship

Material topics	UN SDGs
Environmental Compliance	SDG 6: Clean Water and Sanitation
Energy Efficiency	SDG 7: Affordable and Clean Energy
Water Conservation	SDG 12: Responsible Consumption and Production
GHG Emissions	SDG 13: Climate Action
Waste Management and Recycling	SDG 14: Life Below Water

Environmental Compliance

DMW strives for full compliance with the environmental regulations of the DENR and other regulatory bodies. Where there is any violation, the root cause is immediately assessed, reported, and addressed.

DMW regularly engages with relevant stakeholders to ensure strict environmental compliance. There were no reported non-compliance incidents both in 2022 and 2021, which ascertains that the Company's measures to aim for full compliance have been effective.

While there was an incident in 2020, this was addressed swiftly and adequately.[2] DMW made preventative measures and submitted a position paper to the DENR - EMB NCR. No monetary fine/ non-monetary sanction was levied on the Company.

Table 11. Environmental Compliance

	2020	2021*	2022	% Latest YOY Change
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	₱0	₱0	₱0	No change
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	0	0	No change
No. of cases resolved through dispute resolution mechanism	1	0	0	No change

2 DMW Annual and Sustainability Report 2020, p. 35

Energy Efficiency

Resource management is embedded in the culture of DMW. Mindful conservation of resources has been instilled across the organization – from little ways such as turning off lights upon exiting a room to a larger scale planning and design of energy efficient projects such as Parqal.

Beginning 1Q2022, the Philippine economy has fully re-opened from COVID-related mobility restrictions. This resulted in a spike in mobility to higher than pre-pandemic levels and a significant increase in commercial foot-traffic. In addition, the 69,000sqm GLA 8912 Asean Ave only came online and consumed energy beginning 4Q2021 whereas 8912 was in operation for the full year of 2022. Despite these, DMW managed to keep total energy consumption at 13,824,010.98kWh, only 3.85% higher YoY. This reflects the positive impact of all the Company's conservation efforts. The Company has met its 2022 energy consumption reduction target which was benchmarked against its 2019 energy consumption. Given the more 'normalized' level of operations in 2022, DMW has deemed it apt to now base its energy consumption targets in 2023 against its 2022 performance.

The Company procures renewable energy via retail electricity supply contracts. Approximately 59% of the Company's total energy consumption is accounted for by renewable energy. The Company has restated its renewable energy consumption 2020 and 2021 data to align with industry standards. Previously, the Company included the renewable energy share estimate in the power supply mix of its electric distribution utility in the computation of total renewable energy consumed. In the restated data 2020 to 2022, the Company only included renewable energy which were procured through retail electricity supply contracts.

The Company will continue to manage its energy consumption through mindful consumption and through the development of energy-efficient real estate products. Further, the Company aims for a higher share of renewable energy to total consumption. Once the operating metrics and consumption level of newly opened properties stabilize, the Company will explore additional retail electricity supply contracts for renewable energy.

The Company's flagship project – Parqal – is constructed in line with the rigorous requirements of the Philippine Green Building Council's Building for Ecologically Responsive Design Excellence (BERDE). Among the requirements of BERDE is the reduction of peak energy consumption in kWh/person/m2 of at least 35%.

TOTAL ELECTRICITY CONSUMPTION IN 2022 FROM RENEWABLE SOURCES

59%

Table 12. Energy Consumption

	2020 (kWh)	2021* (kWh)	2022 (kWh)	% Latest YOY Change
Energy Consumption for DMW-occupied spaces and CUSA**	2,832,999.60	3,359,289.78	4,200,937.12	25.05%
Total Energy Consumption (Including consumption of tenants) ***	13,275,561.93	13,310,897.28	13,824,010.98	3.85%
Renewable Energy****	8,541,131.90	8,956,924.66	8,209,254.52	-8.35%
Non-Renewable Energy	4,734,430.03	4,353,972.62	5,614,756.46	28.96%
Total Energy Consumption per sqm	154.46	85.75	89.05	3.85%

**Aseana 8912 has been operational only since the fourth quarter of 2021.*
***Energy Consumption for DMW-occupied spaces and CUSA only.*
****Except for Pixel Residences, energy consumption reported covers the consumption of the whole building -- including consumption of tenants -- as DMW believes property companies have the capacity to influence tenant consumption. Data for Pixel Residences only cover energy consumption in common use areas and DMW-owned ground floor commercial space. Pixel Residences has already been fully turned over to buyers*
*****Procured renewable energy via retail electricity supply contracts*

Diesel consumption slightly increased to 304,729.95 liters as the lifting of COVID-related restrictions early in 2022 caused a significant uptick in mobility. Gasoline consumption was 9.98% lower year on year despite the surge in mobility. DMW was able to control its gasoline and diesel consumption despite a full re-opening from COVID-related restrictions through promoting active mobility across the entire organization -- where walking through the pedestrian lanes and skywalks across the estate is encouraged for activities or transactions within Aseana City.

Table 13. Gasoline and Diesel Consumption

Fuel Type	Total Fuel Consumption 2020 (L)	Total Fuel Consumption 2021 (L)	Total Fuel Consumption 2022 (L)	% Latest YOY Change
Gasoline	4,081.08	10,926.42	9,836.15	-9.98%
Diesel*	380,581.39	292,025.20	304,729.95	4.35%

**Diesel use considers generator sets, transportation, construction equipment, and other diesel-intensive activities*

Water Conservation

Just as energy conservation is embedded in the Company's culture, so too is water conservation. DMW endeavors to conserve water throughout its operations and ensures it is used mindfully and treated properly prior to discharge. DMW implements a wide range of water conservation initiatives in its buildings, ranging from the installation of more efficient equipment to educating employees and tenants about water-saving best practices. DMW tracks the use of water across its facilities to understand consumption patterns and the Company initiates measures on identified areas for improvement.

The Company's properties consumed a total of 117,118 m^3 in 2022, 8.17% lower than 2021 consumption. This decline in consumption was recorded in a year when foot-traffic and mobility surged to a level higher than before the pandemic; this highlights the success of the Company's efforts to conserve water. Notably, water consumption is significantly lower in Aseana Three, 8912 Asean Ave, and in DMW project sites.

DMW aims to further improve water efficiency of its properties. Among its significant undertakings is the construction of its Flagship Project Parqal in line with the rigorous requirements of the Philippine Green Building Council's Building for Ecologically Responsive Design Excellence (BERDE). Among the requirements of BERDE is the at-least-50% reduction of water consumption m^3/m^2/person based on an 8-hour shift.

Table 14. Water Consumption*

	Total 2020 Consumption (m^3)	Total 2021 Consumption (m^3)	Total 2022 Consumption (m^3)	% Latest YOY Change
Water Consumption for DMW-occupied spaces and CUSA**	56,802.21	52,632.63	55,744.03	5.91%
Total Water Consumption (Including consumption of tenants) ***	124,810.00	127,532.00	117,118.00	-8.17%
Total Water Consumption per sqm	1.45	0.82	0.75	-8.17%

**For the purpose of this report, it is assumed that Water Withdrawal is 100% equal to both Water Consumption and Water Discharge.*
***Water Consumption for DMW-occupied spaces and CUSA only.*
****Total Water Consumption covers data for entire building assets, including tenants' consumption.*

Air Emissions (GHG Emissions)

As the real estate industry accounts for a chunk of global carbon emissions, DMW accepts the responsibility to manage and reduce emissions. The Company recognizes that while efforts to limit environmental footprint across the globe have progressed, a lot more needs to be done to limit the increase of global average temperature to well-below 2.0°C above pre-industrial baseline.

For its part, DMW moved to lower emissions by reducing reliance on non-renewable energy sources and creating a more energy-efficient portfolio, further discussed in the Energy Efficiency section.

DMW restated its 2020 and 2021 emissions data to align the computation of GHG Scope 1 and Scope 2 with Intergovernmental Panel on Climate Change's (IPCC) emission factors. The Company uses the market-based method in computing for its GHG Scope 2 emissions where an emission factor of 0 CO_2/MWh is assigned on renewable energy consumed, consistent with the Company's redeemed I-RECs. The reported GHG Scope 2 emissions include emissions from the electricity consumption of its building tenants, not only DMW's own emissions, as the Company believes that building landlords have the capacity to influence tenant consumption and should use such influence to help lower emissions. As such, the Company sets its emission reduction targets based on total building emissions.

The Company's Scope 1 (direct) and Scope 2 (indirect) emissions are summarized in Tables 15 to 16. Direct emissions were capped at 843.1 MT CO_2, only 3.99% higher YoY despite the uptick in mobility related to the lifting of COVID-19 restrictions. The Company's efforts to promote active mobility across the estate helped in limiting direct emissions, these efforts are discussed in detail in the Energy Efficiency section.

Meanwhile, indirect emissions rose 28.93% despite total electricity consumption only increasing by 3.85%. The disproportionate rise of indirect emissions is due to a lower percentage of renewable energy used in 2022 compared to 2021. Aseana One and Aseana Two are both fully powered by renewable energy procured through retail electricity supply contracts with Aboitiz Power. Meanwhile, other properties, including the newly-opened 8912 Asean Ave procures electricity from Meralco – an electric distribution utility. The Company's assumption for computing renewable energy is that the electricity procured from Meralco is 100% non-renewable. The Company's renewable energy computation is discussed in detail in the Energy Efficiency section.

Moving forward, the Company aims to decrease GHG Emissions through increasing the share of renewable energy in its total electricity consumption via additional retail electricity supply contracts or exploring onsite renewable energy generation for select properties.

Table 15. GHG Emissions Scope 1

	GHG Emissions Scope 1 2020 (MT CO_2)	GHG Emissions Scope 1 2021 (MT CO_2)	GHG Emissions Scope 1 2022 (MT CO_2)	% Latest YOY Change
Total GHG Emissions Scope 1	1,033.6 MT CO2	810.7 MT CO_2	843.1 MT CO_2	3.99%

Table 16. GHG Emissions Scope 2

	GHG Emissions Scope 2 2020 (tonnes CO_2)	GHG emissions Scope 2 2021 (tonnes CO_2)	GHG emissions Scope 2 2022 (tonnes CO_2)	% Latest YOY Change
Total GHG Emissions Scope 2	2,048.00	1,884.00	2,429.00	28.93%
Total GHG Emissions Scope 2 per sqm	0.024	0.012	0.016	28.93%

For the year 2022, the Company did not conduct air pollutant emission test for standby gensets in adherence to DENR-EMB memorandum circular 2022-03. Although the air pollutant emission test was not conducted, the Company continues to implement the programs it has in place to minimize air pollutant emissions.

Table 17. Air Pollutants

Air Emissions - Air Pollutants	2020	2021	2022	% Latest YOY Change
Nitrogen oxides (NOx)	5,709.20 mg/Ncm	725.67 mg/Ncm	Not available	N/A
Carbon monoxide (CO)	811.20 mg/Ncm	585.92 mg/Ncm	Not available	N/A

The Company has not collected data for other air pollutants such as sulfur oxides (SOx), persistent organic pollutants (POPs), volatile organic compounds (VOCs), hazardous air pollutants (HAPs), and particulate matter (PM). For the year 2022, the Company did not conduct air pollutant emission test for standby gensets in adherence to DENR-EMB memorandum circular 2022-03

Waste Management and Recycling

DMW acknowledges that the development and operation of real estate assets account for large quantities of waste and material usage, which the Company manages as best as it can to minimize negative impacts through reuse and recycling in the project development process and property management operations.

DMW's Waste Management Policy guides the company's actions towards achieving its goal of limiting its environmental footprint through waste minimization, segregation, proper handling, and recycling.

In the development of Parqal, all construction materials and design elements were selected in alignment and compliance with Philippine Green Building Council's Building for Ecologically Responsive Design Excellence (BERDE) Program. By considering the lifecycle of all aspects of the architectural design, structural frames, and other construction materials, DMW aims for Parqal's BERDE certification. Further, materials in all the Company's developments are vetted against occupant health through safe non-toxic materials, durability, and end-of-life reclamation options.

DMW ensures that waste is properly handled through strict accreditation of third-party vendors. For solid wastes generated, Aseana City strictly requires all its partner-vendors to secure and periodically update its permit-to-dump issued by the Metro Manila Development Authority (MMDA). Similarly, for hazardous waste generated, DMW requires its vendors/partners to secure an updated TSD Registration Certificate and HW Transporter Registration Certificate. This ensures that vendors and partners are duly registered and recognized by the Environmental Management Bureau of the Department of Environment and Natural Resources.

DECREASE IN TOTAL SOLID WASTE GENERATED YOY

19.86%

The Company also partnered with Basic Environmental Systems and Technologies, Inc. to launch its "Trash-to-Cashback Program" where select waste materials are exchanged for "environmental points" in Aseana City drop-off locations. All the waste materials collected are then recycled or upcycled.

Table 18 summarizes the amount of solid waste and hazardous waste generated throughout DMW's properties. Despite an uptick in activities in 2022, following the post-COVID re-opening of the country, DMW's total solid waste generated even declined to 1,135,888kg, 19.86% lower year-over-year. On hazardous waste, the Company recorded a 10.24% yoy drop to 31,125 kg. This year-over-year reduction in waste generation even amidst an uptick in foot-traffic and activity highlights the success of the company's waste minimization efforts.

Table 18. Waste Generated*

	Total 2020 Consumption (m^3)	Total 2021 Consumption (m^3)	Total 2022	% Latest YOY Change in Waste Generation
Total solid waste generated	1,397,632 kg	1,417,448 kg	1,135,888 kg	-19.86%
Total weight of hazardous waste generated and transported***	10,065.60 kg**	34,677 kg	31,125 kg	-10.24%

**Weight per type of waste (e.g., reusable, recyclable, composted, incinerated, residuals/landfilled) is not yet available*
***Reported 2020 data only covers 6 months' worth of hauling due to limited available data following the end of contract with our previous hauler in the 2H20*
****Hazardous waste pertains to used oil, lead batteries, paint sludge, busted lights, and other construction, industrial and chemical waste.*

Table 19. Materials Used by the Company

Material	2020	2021	2022	% Latest YOY Change
Acetylene	246 tanks	80 tanks	180 tanks	125.00%
Cement	8,800 kg	73,520 kg	72,400 kg	-1.52%
Common wire nail	75 kg	514 kg	267 kg	-48.05%
Concrete pile epoxy	1,490 sets	24 sets	40 sets	66.67%
Cutting disc	380 pcs	72 pcs	52 pcs	-27.78%
Deformed rebars	3,125,539 kg	5,916,000 kg	30,693,205 kg	418.82%
G.I. tie wire	12,235 kg	420 kg	345 kg	-17.86%
Gravel	32 m3	137 m3	360 m3	162.77%
Grinding disc	128 pcs	30 pcs	30 pcs	No change
HDPE coupling	6 pcs	62 pcs	6 pcs	-90.32%
HDPE pipe	46 rolls	190 rolls	253 rolls	33.16%
HDPE stub-out	24 pcs	50 pcs	54 pcs	8.00%
HDPE tee reducer	1 pc	14 pcs	24 pcs	71.43%
Marine plywood	760 pcs	420 pcs	114 pcs	-72.86%
Oxygen	501 tanks	124 tanks	278 tanks	124.19%
Paving block	14,050 pcs	62,350 pcs	302,720 pcs	385.52%
Phenolic board	170 pcs	665 pcs	523 pcs	-21.35%
Primer	17 pails	34 pails	28 pails	-17.65%
Ready-mix concrete	24,571,080 kg	25,525 kg	61,569 kg	141.21%
Vibro sand	41,270 kg	129 m3	762 m3	490.70%

On effluents, the Company regularly tests parameters as required by the DENR Administrative Order 2016-08 for Water Quality Guidelines & General Effluents Standards. However, for the purpose of Sustainability Reporting, the Company assumes total volume of water discharge is equivalent to water withdrawal due to temporary absence of a flowmeter. DMW commits to install a flowmeter to properly track effluent discharge moving forward.

The company aims to have a sound waste and effluent management system and as such commits to improve tracking of effluents and the disposal method of solid waste moving forward. DMW will continue its waste minimization, segregation, proper waste handling, and recycling efforts.

Climate Disclosures

In assessing its Climate-related risks and opportunities, DMW looked at the Intergovernmental Panel on Climate Change (IPCC) scenarios RCP8.5, RCP4.5, and RCP2.6. The RCP8.5 scenario, where no change in emissions is expected, may lead to an increase in average global temperature of over 4.0°C by year 2100 whereas in the RCP2.6 scenario, which is aligned with the goals of The Paris Agreement and where global emissions are expected to reach net-negative, may limit increase in average global temperature to below 2.0°C by 2100. In between these two scenario extremes, the Company looked at the intermediate scenario RCP4.5 which represents a scenario with moderate mitigation efforts; this may lead to an increase in average global temperature of 3.0°C by year 2100.

DMW continues to do its part in limiting emissions. The Company's efforts are discussed in detail throughout the whole Environmental Stewardship section of this report.

Transitioning to a lower-carbon economy may entail risks relating to policy, legal, technology, and market changes to address adaptation requirements related to climate change. An insufficient collective response to climate change will result in a less-than-ideal increase in average global temperature which will then lead to acute and chronic physical risks.

Efforts to mitigate and adapt to climate change also produce opportunities, particularly for organizations at the forefront of developments.

Enumerated below are the Company's identified climate-related risks and mitigants as well as climate-related opportunities:

Table 20. Climate-Related Risks

Risk Category	Risk Type	Examples	Mitigants
Physical Risks	Acute Risks	Increased severity of typhoons and flooding	Among the strategies in place to mitigate the potential impact of physical risks to climate change include: • Incorporation of disaster risk resilient features in the planning and build out of the whole Aseana City • Regular on-site inspection of flood hazard and storm surge levels, followed by the on-going formulation of necessary technical adjustments to sea wall and drainage system treatment across the estate • Periodic review and inspection of reclamation works • Pledged 352,919 sqm of office and mixed-use buildings to support the International Finance Corporation's (IFC) Building Resilience Index initiative
	Chronic Risks	Sustained higher temperatures causing sea level rise or chronic heat waves	
Transition Risks	Policy and Legal Risks	Regulatory changes including carbon taxation, climate-related litigation risk	DMW employs tangible methods to limit emissions including through: • Procurement of renewable energy via retail electricity supply contracts, which in 2022 accounted for bulk of DMW's energy consumption • Development of flagship project – the over 70,000sqm Parqal – in accordance with Sustainability requirements of Building for Ecologically Responsive Design Excellence (BERDE) Program of the Philippine Green Building Council • Retrofitting of building equipment (E.g., LED lights) • Aseana City is built on tenets of pedestrian mobility and walkability; across the estate, pedestrian lanes, elevated walkways, and bike lanes are abundant, which allow residents to forego use of automotive vehicles within the estate.
	Technology Risks	Technological innovations that support the transition to a lower-carbon economy can hasten obsolescence of higher emission technologies	
	Market Risk	Shift in consumer preference, a more environmental footprint-conscious consumer, aversion to high-emission assets	
	Reputational Risk	Companies without tangible action to reduce emissions may suffer reputational repercussion	

Table 21. Climate-Related Opportunities

Category	Opportunity	DMW's Actions to Capture Opportunities
Resource Efficiency	Direct cost savings through resource efficiency	• Development of its largest commercial asset – Parqal -- in accordance with operational eco-efficiency requirements under the Building for Ecologically Responsive Design Excellence (BERDE) Program of the Philippine Green Building Council. Among the requirements of BERDE are A) reduction of peak energy consumption in kWh/person/m2 of at least 35% and B) at-least-50% reduction of water consumption m3/m2/person based on an 8-hour shift. • New buildings have energy efficient features including LED lights, variable refrigerant flow air-conditioning, and double-glazed curtain walls, among others. • Retrofitting of building equipment
Energy Source	The trend toward clean energy, rapidly declining costs, and adoption of these technologies is significant. Organizations that shift their energy usage toward low emission energy sources could potentially save on annual energy costs moving forward.	• The Company procures renewable energy via retail electricity supply contracts, which in 2022 accounted for bulk of energy consumption.
Products	Organizations that innovate and develop new low-emission products may improve their competitive position and capitalize on shifting client preferences.	• Development of flagship project – the over 70,000sqm Parqal – in accordance with Sustainability requirements of Building for Ecologically Responsive Design Excellence (BERDE) Program of the Philippine Green Building Council
Markets	Capital markets are starting to assign a premium on sustainable products	
Resilience	Climate change and disaster risk-resilient buildings may command a premium in the future.	• DMW pledged 352,919 sqm of office and mixed-use buildings to support the International Finance Corporation's (IFC) Building Resilience Index initiative • Incorporation of disaster risk resilient features in the planning and build out of the whole Aseana City • Regular on-site inspection of flood hazard and storm surge levels, followed by the on-going formulation of necessary technical adjustments to sea wall and drainage system treatment across the estate

Good Governance and Ethical Business Practice

The Company believes that sound policies, regulations, and fair management constitute the backbone of a successful organization. Emphasizing good governance and ethical business practices allows DMW to forge relationships with its business partners built on the foundation of mutual trust. These themes are covered in the material topics identified in Table 22.

Crucial to good governance are concrete systems and policies that serve as comprehensive references to ensure consistent actions. Our publicly available Code of Business Conduct and Ethics details the scope of our commitments and principles which our employees and business partners must adhere to.

Along with our Employee Code of Conduct and Supplier Code of Conduct, our Human Rights Commitment, Anti-Corruption Policy, and Data Privacy Policy are also publicly available. Of equal importance, our Whistle Blowing policy provides a formal mechanism for relevant stakeholders to raise concerns and provides assurance that "whistleblowers" will be protected from any form of harassment for whistleblowing.

We utilize our Risk Management Manual to identify risks, outline processes to mitigate risks, and designate roles and responsibilities. The company's Risk Management Manual is updated periodically to keep in-tune with both re-emerging and new risks.

Table 22. Material Topics under Good Governance and Ethical Business Practice

Material topics	UN SDGs
Business Conduct and Ethics (Corruption, Bribery, Data Privacy, Fair-Dealing) Risk Management	SDG 16: Peace, Justice, and Strong Institutions

Business Conduct and Ethics (Corruption, Bribery, Data Privacy, Fair-Dealing)

In its 58 years of operations, DMW has built a reputation of having fair and ethical business practices. Embedded in its codes of conduct are tenets of ethics and fair dealing, which the Company implements and monitors with formal mechanisms for relevant stakeholders to raise concerns, along with an assurance that "whistleblowers" will be protected from any form of harassment.

The Anti-Corruption Policy guides its employees and business partners against bribery, extortion, and the solicitation of money, material objects, free meals, signing privileges, discounts, and other special favors not permitted by the Company. DMW strictly enforces this and has a zero tolerance on corruption.

The Company discusses this comprehensively with new hires during the New Employee Orientation (NEO), periodically conducts anti-corruption training for tenured employees, consistently communicates it to stakeholders, and includes it in all contracts and agreements. As a case in point, provisions on Anti-Corruption, Anti-Bribery, Data Protection, Confidential Information, Intellectual Property, and others are included in DMW's Employee Code of Conduct and Supplier Code of Conduct.

As with previous years, DMW has not had any reported incident of corruption within the company nor with its business partners. This testifies to the Company's efforts in promoting proper business conduct – all suppliers and business partners were briefed on DMW's anti-corruption policies, and all DMW directors, management, and employees received anti-corruption training.

The Company's Whistleblowing Policy fortifies its anti-corruption efforts. This serves as a formal mechanism to encourage and protect internal and external stakeholders who whistle-blow on perceived malpractices.

DMW's commitment to data protection is also part of this material topic, which its Data Privacy Policy highlights. The Data Privacy Policy ensures compliance with all applicable laws concerning data protection and guarantees that any confidential business information or trade secrets gained by virtue of business activities with the company is maintained confidential and will not be improperly used or disclosed to third parties.

As always, DMW will continue to uphold principles of good governance and ethical business practices in its operations.

Risk Management

DMW is cognizant of various risks including operational, financial, and ESG risks. The Company adopted the Enterprise Risk Management (ERM) framework for its Risk Manual. This involves

1. Identifying Risks
2. Assessing and Prioritizing Risks,
3. Responding to Risks, and
4. Monitoring the Risks and the Response.

The Audit and Risk Committee oversees the Company's ERM system and DMW's Chief Risk Officer (CRO) champions, supervises, and improves the ERM process.

The Company recognizes that the direct and indirect effects of climate change expose the Company to risks. This includes higher costs for resources, stricter government regulations, and potential damage to properties due to extreme weather events. The Company's assessment of climate-related risks and opportunities is discussed in greater detail here: Climate Risk and Opportunities.

People-Centric Labor Practices

Just as DMW prioritizes the quality of life of its tenants, the company is also committed to ensure the well-being of its employees, contractors, and business partners through fundamental respect of human rights, providing avenues for growth, and ensuring a safe and conducive work-environment. The material topics under this pillar focus on the items summarized in Table 23 below with the corresponding UN SDGs.

Table 23. Material Topics under People-Centric Labor Practices

Material topics	UN SDGs
Human Rights (Child labor, forced labor, discrimination, harassment) Employee Retention Employee Well-being Health and Safety (Occupational) Human Capital Development	SDG 1: No Poverty SDG 3: Good Health and Well-being SDG 5: Gender Equality SDG 8: Decent Work and Economic Growth SDG 10: Reduced Inequalities

Human Rights (Child Labor, Forced Labor, Discrimination, Harassment)

DMW's Human Rights Commitment asserts its dedication toward a proper work environment, which includes preventing child labor, forced labor, human trafficking, harassment, and discrimination. This also includes upholding health and safety and fair working conditions both in the Company's own operations and in that of its external business partners.

Testament to the strength of DMW's internal measures to respect human rights, the company continued to record zero (0) incidents of child labor, forced labor, discrimination, and harassment.

Table 24. Incidents of Child Labor, Forced Labor, Discrimination, and Harassment

	2020	2021	2022	% Latest YOY Change
No. of legal actions or employee grievances involving forced or child labor	0	0	0	No Change
No. of Incidents of Discrimination and Harassment	0	0	0	No Change

The company values diversity: employment is decided on the basis of qualification, merit, and business need. Tables 25 to 28 show that the company has men and women of different ages in various positions and has employees from the vulnerable sector in its workforce. There are currently no employees covered under Collective Bargaining Agreements, although the Company has conducted multiple sessions and consultations to discuss employee-related policies. DMW will continue to strictly implement and actively promote its Human Rights Commitment.

INCREASE IN EMPLOYMENT

13.33%

YOY CHANGE IN NO. OF FEMALE EMPLOYEES

22.61%

Table 25. Employee Breakdown by Gender

	2020	2021	2022	% Latest YOY Change
Total number of employees	328	330	374	13.33%
No. of female employees	111	115	141	22.61%
No. of male employees	217	215	233	8.37%

Table 26. Employee Breakdown by Position and Gender

Position	Male	Female	Subtotal by position
Executive / Top Management	6	1	7
Senior Management	11	4	15
Middle Management	29	15	44
Officers and Professionals	59	37	96
Rank and File	30	67	97
Blue collar workers	12	0	12
Skilled workers	66	0	66
Consultant	20	17	37
Total	**233**	**141**	**374**

Table 27. Employee Breakdown by Age and Gender

Age	Male	Female	Subtotal by age
< 30 years old	62	84	146
30-50 years old	127	52	179
> 50 years old	44	5	49
Total	**233**	**141**	**374**

Table 28. Employees from the Vulnerable Sector

	2020	2021	2022	% Latest YOY Change
PWDs in the workforce	Not available	4	4	No change

Employee Well-being

DMW attends to employees' well-being through fair and competitive compensation and a wide range of benefits on top of what is legally mandated. Salient benefits include flexible working hours, grant of hybrid work arrangement on case-to-case basis, cash advances, car plan, extended HMO coverage, and the like. Table 29 summarizes the benefits we offer and the percentage of employees who availed them.

The Company conducts regular Employee Engagement and Culture Survey to ensure employee well-being and to be able to address areas for improvement, if any. The survey is a 4-point Likert scale questionnaire with response options "4-strongly agree", "3-agree", "2-disagree", "1-strongly disagree" on questions relevant to employee well-being. In 2022, 97% of respondents were "Satisfied" – employees whose average response is '3' or more.

DMW will continue to keep in tune with employee needs and preferences and continue to work on areas that can be further improved.

Table 29. Employee Benefits

Benefits	% of women who availed in 2022	% of men who availed in 2022
SSS	6%	8%
Philhealth	4%	0%
Pag-IBIG	6%	10%
Parental leave	1%	5%
Vacation Leave	88%	52%
Sick Leave	88%	52%
Medical benefits (aside from Phil-health) HMO	88%	52%
Housing assistance (aside from Pag-IBIG)	0%	0%
Retirement fund (aside from SSS)	0%	1%
Further education support	0%	0%
Company Stock options	0%	0%
Telecommuting	88%	52%
Flexible working hours	88%	52%

Employees who availed of benefits include those separated or resigned in 2022.

Table 30. Employee Engagement and Culture Survey Results

	2020	2021	2022	% Latest YOY Change
Satisfied respondents	98%	98%	97%	-1.02%

Occupational Health and Safety

DMW is cognizant of inherent health and safety risks in the real estate development and construction business. The Company's Enterprise Risk Manual identifies safety and health among its most impactful risks. As such, DMW has detailed guidelines and implemented policies to ensure that these risks are well-mitigated.

Across all sites, strict construction protocols are implemented. The regular rainy season is also factored in the work plan of projects to ensure that higher-risk activities are avoided during adverse weather conditions. The Company also implements policies such that its properties and work sites have the needed medical professionals, safety officers, and first responders on standby. Further, regular safety drills are being conducted along with weekly huddles of assigned personnel to continuously reinforce safety protocols.

Meanwhile, the Company recognized the additional risk on health and safety resulting from the pandemic and has acted with urgency. In addition to the Company's COVID-related health and safety efforts discussed under Health and Safety, DMW also implemented a hybrid work model for its workforce.

Across all companies, DMW had 858,872 safe man-hours and had no work-related fatalities, illnesses, major injuries nor minor injuries in 2022. This outstanding record is testament to the Company's commitment to occupational health and safety. The Company will continue to promote OHS and strictly implement safety policies in the workplace.

858,872

TOTAL SAFE MAN-HOURS IN 2022

Table 31. Occupational Health and Safety

	2020	2021	2022	% Latest YOY Change
Safe Man-Hours (covers site-based workers only)	220,712 hr	826,313 hr	858,872 hr	3.94%
No. of work-related injuries	1 (minor)	2 (minor)	0	-100%
No. of work-related fatalities	0	0	0	No Change
No. of work-related ill-health	0	0	0	No Change
No. of safety drills and training (includes those undergone by both employees & on-site workers)	6 employee safety trainings Weekly huddles to reinforce safety protocols	6 employee safety trainings Weekly huddles to reinforce safety protocols	5 employee safety trainings Weekly huddles to reinforce safety protocols	-16.67%

NUMBER OF WORK-RELATED INJURIES OR FATALITIES

0

NUMBER OF WORK-RELATED ILL HEALTH

0

Employee Retention

DMW treats its employees as indispensable assets. Thereby, the company continuously invests in employee development and well-being.

Details on the training programs provided to employees are discussed in Human Capital Development while the Company's efforts to ensure employee well-being are detailed in this segment: Employee Well-being.

The pandemic has significantly affected the country's labor force, with turnover rates rising across most industries. For instance, the turnover rate of the construction industry rose from 21.6% in 2020 to 47.9% in 2021. [3] The Company experienced the same increase in turnover rate in 2021, albeit lower than the industry's rate. DMW recognizes that a high turnover rate will negatively affect efficiency in its operations. In 2022, the Company's efforts yielded positive results as turnover rate declined to 21.4% from 25.8% in the year prior.

DMW will continue to invest in employee development and well-being.

Table 32. Turnover Rate

	2020	2021	2022	% Latest YOY Change
Turnover rate	17.4%	25.8%.	21.4%	-17.05%

3 *The ongoing resignation of 2021: 5 ways companies can retain talent*

Human Capital Development

Upskilling employees is fundamental to the Company's success in steering through the ever-changing business landscape. This has become especially relevant as the COVID-19 pandemic caused a paradigm shift in the conduct of business.

DMW provided more than 20 in-house and external training sessions for its employees (Tables 33 and 34). The company maintained its standard learning sessions that covered topics such as time management, personal finance, stress management, and COVID-19-related self-care recommendations. These were supplemented by external courses and seminars covering various industry-specific topics.

Total training hours increased by 29% to 2,921.00 and average training hours per employee improved to 7.81 from 6.86 on the back of increased number of offered training programs as well as due to higher participation of employees. The employees attributed their increased participation to the improved relevance of offered training sessions both to their careers and personal life.

DMW has an established Career Pathing Program which is a system to proactively identify and reward high-performing employees. In 2022, most 'high potential employees' were promoted to higher positions, resulting in the uptick of internal hire ratio.

DMW will continue to promote a culture of growth through providing best-in-class training programs and constantly improving on these programs to remain abreast with evolving needs. The Company also commits to further expand its Career Pathing Program.

TOTAL TRAINING HOURS
2,921

INCREASE IN TRAINING HOURS
29%

Table 33. In-House Training Programs

In-House Training and/or Standard Learning Sessions	Topics / skills
New Employee Orientation	Company Profile, Vision, Mission and Values, Policies and Procedures, Safety and Health Protocols, Guidelines
HR Hour	HR Updates, Timekeeping Policies and Procedures, Protocols and Guidelines and other pandemic-related topics (Resilience, Health Tips, Mental Health), Anti Money Laundering and other Law Updates
Sales Training	Presentation Skills for Property Specialists
Chair Yoga	Yoga stretches employees can do at their own desk.
Matters of the H.E.A.R.T (Hypertension Education Awareness Response Treatment)	Hypertension Education Awareness Response Treatment
Booster Vaccination Education	COVID-19 Booster Information
Healthy Heart, Healthy You: Cardiovascular Disease Prevention and Control Program	Ways to prevent cardiovascular diseases.

Table 34. External Training Programs, Seminars, and Courses

Program	Topics and Skills
Customer Service Training	Customer Service, Professionalism
CPD Live Webinar for Architecture	Technical Aspect of Subdivision and Condominium Buyers Protective Decree (Pd 957), Effective Construction Project Risk Planning & Management, Government Procurement Reform Act (R.A.9184)
wCPD Live Webinar for Engineering	Sustainable Drainage Design and Analysis In Epaswmm Software For Land Development Projects, Road Construction Methodology, Effective Construction Project Planning & Management, Planning Of Mass Transportation In The Philippines, Traffic Impact Assessment (Tia) For Sustainable Development, Design Of A Better Normal Active Transportation/Bicycle Facilities In The Philippines, Sustainable Drainage System Design In Vertical & Horizontal Infrastructures
First Aid Training	Best occupational first aid practices
Pollution Control Training	Environment/Pollution Management, Compliance, Reports
CPD for Accountants	Tax Updates and Taxpayer Bill of Rights
Document Control and Records Management Training	Records Management
Basic Pollution Control Officer Training	Environment/Pollution Management, Compliance, Reports
47th IIEE	Latest technological trends, best practices, new industry regulations
Data Protection Officer Certification	Data Privacy Act and its Implementing Rules
Leadership Trends Forum 2022	Global Leadership Forecast 2023 Trends Highlights
Energy Management Training Certification	ASHRAE Standards, Energy Audit and Instrumentation, Industrial Systems
Revit MEP Fundamentals	Basics of HVAC, electrical, piping/plumbing and more
Civil 3D Fundamentals	Workflows for various civil engineering projects
Autodesk Infraworks	Designing automated 3D model building capabilities, web-based technology, and vertically specialized using Infraworks
ISO Orientation	Quality Management
Bloomberg IR Workshop: Prospecting and Driving Investor Conversations	IR Best Practices, uses of Bloomberg to better reach investors
TCFD Climate-Related Financial Reporting	Climate-related reporting and practical examples
UN Women: Inclusion of Gender Indicators in Sustainability Disclosures Training	Gender-related disclosures in Sustainability Reporting

Table 35. Employee Training and Development

	2020	2021	2022	% Latest YOY Change
Total training hours (hr)	1,112 hr	2,262.5 hr	2,921.0 hr	29.10%
Female training hours (hr)	684.5 hr	1,226.8 hr	1,412 hr	23.00%
Male training hours (hr)	427.5 hr	1,035.7 hr	1,509 hr	41.06%
Average training hours provided to employees	3.39 hr/ employee	6.86 hr/ employee	7.81 hr/ employee	13.85%
Internal hires (%)	Not available	18%	26%	44.44%

Economic Development

The Philippine Development Plan 2023-2028 aims to bring the country towards achieving an upper middle-income economy by 2025.

As one of the largest property companies in the country in terms of market capitalization, DMW recognizes its role in contributing to the Philippine economy through payment of taxes, local procurement, and employment generation, among others. Material Topics in this pillar focuses on the Company's contribution to the country's economic development, as identified in Table 36.

Through its diverse real estate products, DMW has stayed resilient throughout the ebb and flow of the industry for nearly 60 years. As of end-2022, DMW leases out 166,015 sqms of land, manages 162,351 sqms of leasable floor area, sells residential products, and undertakes construction projects.

Table 36. Material Topics under Economic Development

Material topics	UN SDGs
• Economic value generated • Employment generated • Local purchases	• SDG 1: No Poverty • SDG 8: Decent Work and Economic Growth

Economic Value Generated

Through the development of Aseana City, DMW generates employment, stirs economic activity, and contributes to overall economic growth. Throughout the development cycle, jobs are created; business opportunities are opened; and tax revenues are consistently generated for the government.

In 2022, DMW managed to grow its revenues significantly despite a macroeconomic backdrop tainted by relatively high inflation and rising interest rates. The Company's Annual Report details DMW's financial performance for the year, summarized in Table 37. Revenues rose 22.44% to ₱4.2 billion from ₱3.4 billion while operating costs increased to ₱1.3 billion. Employee wages and benefits increased to ₱172.1 million as the Company's workforce continued to grow during the pandemic and despite macroeconomic headwinds. Taxes given to the government was at ₱467 million. Payments to suppliers and community investments stood at ₱2.5 billion and ₱68.3 million, respectively.

The Company's financial performance highlights its resilience and steady growth even during crises. DMW will further strengthen our presence in the property development industry in the years to come.

REVENUE GENERATED

₱4.2B

YOY CHANGE IN COMMUNITY INVESTMENTS

92.56%

Table 37. Direct Economic Value Generated and Distributed

	2020	2021	2022	% Latest YOY Change
Direct economic value generated (Revenue)	₱2,734,364,926.00	₱3,446,712,914.00	₱4,220,264,810.00	22.44%
Direct economic value distributed:				
Operating costs	₱850,394,544.00	₱790,418,156.00	₱1,345,229,029.00	70.19%
Employee wages & benefits	₱156,690,816.00	₱158,678,421.00	₱172,091,518.00	8.45%
Payments to suppliers and other operating costs	₱3,433,841,046.93	₱2,036,764,612.63	₱2,483,195,465.95	21.92%
Dividends to stockholders and interest payments to loan providers	₱185,664,130.94	₱176,135,394.94	₱218,618,501.57	24.12%
Taxes given to government	₱637,849,282.00	₱486,282,675.00	₱467,117,935.00	-3.94%
Community investments (e.g., donations, CSR)	₱82,361,694.00	₱35,458,190.78	₱68,283,297.49	92.57%

Employment Generated

Employees are indispensable assets to DMW. As the Company grows, the employment opportunities also grow and by extent increases DMW's contribution to the country's overall employment.

In 2022, DMW hired 118 new employees, which resulted in a new hire rate of 31.6%. This is higher than the prior year's which is 20.3%. Given DMW's planned expansions, the Company expects its workforce to continue growing moving forward.

Table 38. Newly Hired Employees

Company	New female employees	New male employees	Total new employees
Total	57	61	118
New hire rate			31.55%

Local Purchases

DMW aspires to continuously contribute to building a better nation. The Company strengthens its local economy by purchasing from local suppliers; this is crucial to the Philippine economy as the country recovers from the pandemic and is currently faced by macroeconomic headwinds. In spending most of its procurement budget on domestic suppliers, DMW supports local enterprises and helps prevent further economic dips in the local industry. The Company plans to further expand its roster of domestic suppliers.

Table 39. Procurement Practices

Location	Number of suppliers	% of Total suppliers	% of Procurement Budget
Local	201	99.5%	98.6%
International	1	0.5%	1.4%
Total	202	100%	100%

Local suppliers include foreign brands with local operations in the Philippines.

SUMMARY OF DISCLOSURES

A. ECONOMIC DISCLOSURES

Economic disclosures	2020	2021	2022	Latest YOY change
ECONOMIC PERFORMANCE				
Direct Economic Value Generated and Distributed				
Direct economic value generated (Revenue)	₱2,734,364,926.00	₱3,446,712,914.00	₱4,220,264,810.00	22.44%
Direct economic value distributed:				
Operating costs	₱850,394,544.00	₱790,418,156.00	₱1,345,229,029.00	70.19%
Employee wages & benefits	₱156,690,816.00	₱158,678,421.00	₱172,091,518.00	8.45%
Payments to suppliers and other operating costs	₱3,433,841,046.93	₱2,036,764,612.63	₱2,483,195,465.95	21.92%
Dividends to stockholders and interest payments to loan providers	₱185,664,130.94	₱176,135,394.94	₱218,618,501.57	24.12%
Taxes given to government	₱637,849,282.00	₱486,282,675.00	₱467,117,935.00	-3.94%
Community investments (e.g. donations, CSR)	₱82,361,694.00	₱35,458,190.78	₱68,283,297.49	92.57%
Climate-Related Risks and Opportunities[4]				
PROCUREMENT PRACTICES				
Proportion of Spending on Local Suppliers				
Percentage of procurement budget spent on local suppliers	93%	95%	99%	4.21%
ANTI-CORRUPTION				
Training on Anti-corruption Policies and Procedures				
Percentage of employees briefed on corporate anti-corruption policies and procedures	100%	100%	100%	No change
Percentage of business partners briefed on corporate anti-corruption policies and procedures	100%	100%	100%	No change
Percentage of directors and management who have received anti-corruption training	100%	100%	100%	No change
Percentage of employees and management who have received anti-corruption training	100%	100%	100%	No change
Incidents of Corruption				
No. of incidents in which directors were removed or disciplined for corruption	0	0	0	No change
No. of incidents in which employees were removed or disciplined for corruption	0	0	0	No change
No. of incidents when contracts with business partners were terminated due to incidents of corruption	0	0	0	No change
Contributions				
Lobbying Interest	₱0	₱0	₱0	No change
Local, regional, or national political campaigns	₱0	₱0	₱0	No change
Direct Political Contributions	₱0	₱0	₱0	No change
Trade Associations	₱0	₱0	₱0	No change
Other spending related to ballot measures or referendums	₱0	₱0	₱0	No change

4 *Refer to discussion in Climate Disclosures section*

B. ENVIRONMENTAL DISCLOSURES

Environmental disclosures	2020	2021	2022	Latest YOY change
RESOURCE MANAGEMENT				
Energy Consumption and Reduction of Consumption				
Gasoline	4,081.08 liters	10,926.42 liters	9,836.15 liters	-9.98%
LPG	N/A	N/A	N/A	N/A
Diesel	380,581.39 liters	292,025.20 liters	304,729.95 liters	4.35%
Electricity (total including renewable sources)	13,275,561.93 kWh	13,310,897.28 kWh	13,824,010.98 kWh	3.85%
Electricity from renewable sources*	8,541,131.90	8,956,924.66	8,209,254.52	-8.35%
Electricity from non-renewable sources	4,734,430.03	4,353,972.62	5,614,756.46	28.96%
Water Consumption				
Water consumption	124,810 m³	127,532 m³	117,118 m³	-8.17%
Water withdrawal	124,810 m³	127,532 m³	117,118 m³	-8.17%
Water recycled and reused	0 m³	0 m³	0 m³	No change
Materials Used				
Renewable	-	-	-	N/A
Percentage of recycled input materials used to manufacture the organization's primary products and services	-	-	-	N/A
Non-Renewable:				
Acetylene	246 tanks	80 tanks	180 tanks	125.00%
Cement	8,800 kg	73,520 kg	72,400 kg	-1.52%
Common wire nail	75 kg	514 kg	267 kg	-48.05%
Concrete pile epoxy	1,490 sets	24 sets	40 sets	66.67%
Cutting disc	380 pcs	72 pcs	52 pcs	-27.78%
Deformed rebars	3,125,539 kg	5,916,000 kg	30,693,205 kg	418.82%
G.I. tie wire	12,235 kg	420 kg	345 kg	-17.86%
Gravel	32 m³	137 m³	360 m³	162.77%
Grinding disc	128 pcs	30 pcs	30 pcs	No change
HDPE coupling	6 pcs	62 pcs	6 pcs	-90.32%
HDPE pipe	46 rolls	190 rolls	253 rolls	33.16%
HDPE stub-out	24 pcs	50 pcs	54 pcs	8.00%
HDPE tee reducer	1 pc	14 pcs	24 pcs	71.43%
Marine plywood	760 pcs	420 pcs	114 pcs	-72.86%
Oxygen	501 tanks	124 tanks	278 tanks	124.19%
Paving block	14,050 pcs	62,350 pcs	302,720 pcs	385.52%
Phenolic board	170 pcs	665 pcs	523 pcs	-21.35%
Primer	17 pails	34 pails	28 pails	-17.65%
Ready-mix concrete	24,571,080 kg	25,525 kg	61,569 kg	141.21%
Vibro sand	41,270 kg	129 m³	762 m³	490.70%

Environmental disclosures	2020	2021	2022	Latest YOY change
Ecosystems and Biodiversity				
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	N/A	N/A	N/A
Habitats protected or restored	N/A	N/A	N/A	N/A
IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A	N/A	N/A	N/A
ENVIRONMENTAL IMPACT MANAGEMENT				
Air Emissions - Green House Gases				
Direct (Scope 1) GHG Emissions**	1,033.6 MT CO_2	810.7 MT CO_2	843.1 MT CO2	3.99%
Indirect (Scope 2) GHG Emissions**	2,048.0 MT CO_2	1,884.0 MT CO_2	2,429.0 MT CO_2	28.93%
Emissions of ozone-depleting substances	N/A	N/A	N/A	N/A
Air Emissions - Air Pollutants				
Nitrogen oxides (NOx)	5,709.20 mg/Ncm	725.67 mg/Ncm	Not Available	N/A
Carbon monoxide (CO)	811.20 mg/Ncm	585.92 mg/Ncm	Not Available	N/A
Sulfur oxides (SOx)	N/A	N/A	N/A	N/A
Persistent organic pollutants (POPs)	N/A	N/A	N/A	N/A
Volatile organic compounds (VOCs)	N/A	N/A	N/A	N/A
Hazardous air pollutants (HAPs)	N/A	N/A	N/A	N/A
Particulate matter (PM)	N/A	N/A	N/A	N/A
Solid Waste				
Total solid waste generated	1,397,632 kg	1,417,448 kg	1,135,888 kg	-19.86%
Breakdown of disposal method (reused, recycled, composted, incinerated, residuals) ***	N/A	N/A	N/A	N/A
Hazardous Waste				
Total weight of hazardous waste generated and transported ****	10,065.60 kg	34,677 kg	31,125 kg	-10.24%
Effluents				
Total volume of water discharges (assumed to be equal to water withdrawal due to no meter installed to measure effluents)	124,810 m^3	127,532 m^3	117,118 m^3	-8.17%
Percent of wastewater recycled	0%	0%	0%	No change
ENVIRONMENTAL COMPLIANCE				
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	₱0*****	₱0	₱0	No change
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0*****	0	0	No change
No. of cases resolved through dispute resolution mechanism	1	0	0	No change

Restated renewable energy consumption 2020 and 2021 data. Previously, the renewable energy share in the power supply mix of the electric distribution utility was included in the computation of total renewable energy consumed. In the restated data 2020 to 2022, only renewable energy procured through retail electricity supply contracts was included.
***Restated 2020 and 2021 to align computation of GHG Scope 1 and Scope 2 to align with Intergovernmental Panel on Climate Change's (IPCC) emission factors. The Company uses the market-based method in computing for its GHG Scope 2 emissions where an emission factor of 0 is assigned on renewable energy consumed.*
****Data for breakdown unavailable.*
*****Reported hazardous waste in 2022 and 2021 cover a full year's worth of hauling activities whereas the reported 2020 data only covers 6 months' worth of hauling due to limited available data following the end of contract with previous hauler in 2H20*
****** No sanction/ fine levied on the Company as the issue was swiftly resolved and preventive measures were made*

C. SOCIAL DISCLOSURES

Social disclosures	2020	2021	2022	Latest YOY change
EMPLOYEE MANAGEMENT				
Employee Hiring and Benefits				
Total number of employees	328	330	374	13.33%
No. of female employees	111	115	141	22.61%
No. of male employees	217	215	233	8.37%
Percentage of Filipino Employees	100%	100%	100%	No change
Turnover rate	17.4%	25.8%	21.4%	-17.05%
Absentee rate	3.8%	5.7%	7.0%	22.81%
Average length of employee service	8.0 years	3.6 years	5.0 years	40.1%
Ratio of lowest paid employee against minimum wage	1:1	1:1	1:1	No change
Female and male employees who availed of benefits:				
SSS - Female	19%	17%	6%	-64.71%
SSS - Male	23%	21%	8%	-61.90%
PhilHealth - Female	5%	2%	4%	100.00%
PhilHealth - Male	2%	1%	0%	-100.00%
Pag-IBIG - Female	5%	5%	6%	20.00%
Pag-IBIG - Male	12%	14%	10%	-28.57%
Parental Leave - Female	0%	3%	1%	-66.67%
Parental Leave - Male	0%	0%	5%	N/A
Vacation Leave - Female	66%	59%	88%	49.15%
Vacation Leave - Male	46%	43%	52%	20.93%
Sick Leave - Female	65%	55%	88%	60.00%
Sick Leave - Male	40%	33%	52%	57.58%
Medical benefits (HMO) - Female	81%	82%	88%	7.32%
Medical benefits (HMO) - Male	58%	59%	52%	-11.86%
Retirement fund (aside from SSS) - Female	0%	6%	0%	-100.00%
Retirement fund (aside from SSS) - Male	4%	0%	1%	N/A
Telecommuting - Female	96%	99%	88%	-11.11%
Telecommuting - Male	63%	66%	52%	-21.21%
Flexible working hours - Female	86%	93%	88%	-5.38%
Flexible working hours - Male	54%	47%	52%	10.64%
Cash advances - Female	7%	11%	3%	-72.73%
Cash advances - Male	17%	12%	6%	-50.00%
Car Plan - Female	0%	1%	0%	-100.00%
Car Plan - Male	0.4%	3%	1%	-66.67%
Magna Carta Leave for Women	0%	0%	1%	N/A
Housing assistance (aside from Pag-ibig)	N/A	N/A	N/A	N/A
Further education support	N/A	N/A	N/A	N/A
Company Stock options	N/A	N/A	N/A	N/A

Social disclosures	2020	2021	2022	Latest YOY change
Employee Training and Development				
Total training hours provided to employees	1,112 hr	2,262.5 hr	2,921 hr	29.10%
Female employees	684.5 hr	1,226.8 hr	1,412 hr	23.00%
Male employees	427.5 hr	1,035.7 hr	1,509 hr	41.06%
Average training hours provided to employees	3.39 hr/employee	6.86 hr/employee	7.81 hr/employee	13.85%
Female employees	6 hr/employee	11 hr/employee	10 hr/employee	-6.13%
Male employees	2 hr/employee	5 hr/employee	7 hr/employee	34.44%
Average amount spent for training per employee	₱2,000/employee	₱2,000/employee	₱2,672/employee	33.60%
Labor Management Relations				
Percentage of employees covered by Collective Bargaining Agreements	N/A	N/A	N/A	N/A
No. of consultations conducted with employees concerning employee-related policies	4	4	2	-50%
Diversity and Equal Opportunity				
Percentage of female workers in the workforce	34%	35%	38%	8.57%
Percentage of male workers in the workforce	66%	65%	62%	-4.62%
No. of employees from indigenous communities and/or vulnerable sector	78 (Class D & E)	66 (Class D&E)	75 (Class D&E)	13.64%
No. of PWDs in the workforce	Not available	4	4	No change
Percentage of Asians (Filipinos) in the workforce	100%	100%	100%	No change
Workplace Conditions, Labor Standards, and Human Rights Occupational Health and Safety				
Safe Man-Hours (covers site-based workers only)	220,712 hr	826,313 hr	858,872 hr	3.94%
No. of work-related injuries	1	2	0	-100.00%
No. of work-related fatalities	0	0	0	No change
No. of work-related ill-health	0	0	0	No change
No. of safety drills and training (includes those undergone by both employees & on-site workers)	6 employee safety trainings Weekly huddles to reinforce safety protocols for onsite workers	6 employee safety trainings Weekly huddles to reinforce safety protocols for onsite workers	5 employee safety Trainings Weekly huddles to reinforce safety protocols for onsite workers"	-16.67%
Labor Laws and Human Rights				
Policies that explicitly disallow violations of labor laws and human rights in the workplace (Y/N):[5]				
Forced labor	Y	Y	Y	No change
Child labor	Y	Y	Y	No change
Human rights	Y	Y	Y	No change
Anti-harassment	Y	Y	Y	No change
No. of legal actions or employee grievances involving forced or child labor	0	0	0	No change

5 *Refer to discussion in Human Rights section*

Social disclosures	2020	2021	2022	Latest YOY change
SUPPLY CHAIN MANAGEMENT				
Supplier Accreditation and Screening				
Supplier accreditation policy	Y	Y	Y	No change
Considering sustainability topics when screening suppliers: environmental performance, forced labor, child labor, human rights, bribery and corruption	Y	Y	Y	No change
RELATIONSHIP WITH COMMUNITY				
Significant Impacts on Local Communities				
For operations affecting IPs, total number of Free and Prior Informed Consent (FPIC) consultations and Certification Preconditions (CPs) secured	N/A	N/A	N/A	N/A
CUSTOMER MANAGEMENT				
Customer Satisfaction				
Average Customer Experience Survey scores by property (NPS):				
Aseana One	18.1	26.2	39.0	48.85%
Aseana Two	13.8	22.4	16.0	-28.57%
Aseana Three	9.2	9.9	47.0	374.75%
Aseana Powerstation	Not available	Not available	59.0	N/A
Did a third party conduct the customer satisfaction study? (Y/N)	N	N	N	N/A
Health and Safety				
No. of substantiated complaints on product or service health and safety	0	0	0	No Change
Percentage of real estate products assessed for health and safety impacts	100%	100%	100%	No Change
Incidents of non-compliance with regulations resulting in a fine or penalty	0	0	0	No Change
Incidents of non-compliance with regulations resulting in a warning	0	0	0	No Change
No. of complaints addressed	0	0	0	No Change
Marketing and Labeling				
No. of substantiated complaints on marketing and labeling	0	0	0	No Change
No. of complaints addressed	0	0	0	No Change
Customer Privacy				
No. of substantiated complaints on customer privacy	0	0	0	No Change
No. of complaints addressed	0	0	0	No Change
No. of customers, users and account holders whose information is used for secondary purposes	N/A	N/A	N/A	N/A
Data Security				
No. of data breaches, including leaks, thefts and losses of data	N/A	N/A	N/A	N/A

D. UN Sustainable Development Goals

Key Products and Services	UN SDG	Contribution to UN SDG/ Potential Negative Impact/ Management Approach
• Estate Development • Commercial Building Leasing • Land Leasing • Residential Development • Land Sales • Construction	1 NO POVERTY	Pages 47; Page 53
	3 GOOD HEALTH AND WELL-BEING	Pages 28 to 29; Pages 47 to 49
	5 GENDER EQUALITY	Pages 45 to 46
	6 CLEAN WATER AND SANITATION	Page 37
	7 AFFORDABLE AND CLEAN ENERGY	Pages 35 to 36
	8 DECENT WORK AND ECONOMIC GROWTH	Pages 47 to 50; Pages 52 to 53
	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Pages 30 to 32
	10 REDUCED INEQUALITIES	Pages 44 to 47
	11 SUSTAINABLE CITIES AND COMMUNITIES	Pages 28 to 33
	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Pages 35 to 40
	13 CLIMATE ACTION	Pages 31 to 32; Pages 35 to 40
	14 LIFE BELOW WATER	Pages 36 to 39
	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Page 28 to 29; Page 43

ESG RATING

ESG Assessment	Rating
S&P Global **Corporate Sustainability Assessment (CSA)**	**88th Percentile Rank or Top 12%** Among a global universe of S&P-assessed real estate companies as of Feb 2023

Governance

Corporate Governance Report

At D.M. Wenceslao & Associates Inc., we put good governance at the center of how we conduct our business. We recognize and affirm that good corporate governance is a necessary component of what constitutes sound strategic business management. As such, we have adopted the Company's Revised Manual on Corporate Governance in 2019 pursuant to the New Code on Corporate Governance for Publicly Listed Companies issued by the Securities and Exchange Commission (SEC) in compliance with SEC Memorandum Circular No. 19 Series of 2016 and SEC Memorandum Circular No. 8 Series of 2017.

The structure and processes set forth in the Manual, the Articles of Incorporation and By-laws, in conjunction with the commitment to the governance principles of transparency, accountability, fairness and integrity, form the basic framework of governance by which our Board of Directors, officers, executives and employees strive to achieve the Company's strategic objectives, create value for all its stakeholders, and sustain its long-term viability. Our Manual features the following provisions:

- Protection of Investors - The Manual provides for shareholders' rights and protection, investor relations, dividend policy and a disclosure system to ensure transparency and accountability.
- Board of Directors and Management -The detailed qualifications and disqualifications, duties, functions and responsibilities of the Board and executive officers are also enumerated in the Manual.
- Checks and Balances - The Manual contains the vision, strategic objectives, key policies, procedures for the management of our Company, and mechanisms for monitoring and evaluating management's performance.
- Compliance with the Manual -The appointment of a Compliance Officer to monitor compliance with and violations of the Manual is also provided.
- Creation of Committees - The Manual mandates the creation of the Executive Committee, the Audit and Risk Committee, and the Compensation and Remuneration Committee to ensure the performance of certain important functions of the Board and management.

The Board of Directors

Compliance with the principles of good corporate governance starts with the Board of Directors. Our Board of Directors is primarily responsible for the governance of D.M. Wenceslao. Corollary to setting the strategies and policies to accomplish the corporate objectives, our Board provides an independent check on our management team, and reviews and comments on the strategic directions identified by the latter. It is also its responsibility to foster the long-term success of our Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of our stockholders. To ensure a high standard of best practice for our Company and, our stockholders, the Board conducts itself with utmost honesty and integrity in the discharge of its duties, functions, and responsibilities.

Board Meeting Attendance 2022

Name	No. of Meetings Attended/Held	Percent Present
Sylvia C. Wenceslao	6/6	100%
Delfin Angelo C. Wenceslao	6/6	100%
Paolo Vincent C. Wenceslao	6/6	100%
Carlos Delfin C. Wenceslao	6/6	100%
Edwin Michael C. Wenceslao	6/6	100%
Oscar S. Reyes	6/6	100%
Alberto P. Fenix, Jr.	6/6	100%

Executive Committee

Our Executive Committee acts on specific Executive matters within the competence of the Board as may from time to time be delegated to the Executive Committee under our Company's By-Laws, except with respect to:

1. the approval of any action for which shareholders' approval is also required;
2. the filling of vacancies on the Board or the Executive Committee;
3. the amendment or repeal of By-Laws or the adoption of new By-laws;
4. the amendment or repeal of any resolution of the Board of Directors that cannot be amended or repealed based on the terms of the resolution;
5. the distribution of cash dividends; and
6. the exercise of powers delegated by the Board exclusively to other committees, if any.

Sylvia C. Wenceslao[1]	Chairman
Delfin Angelo C. Wenceslao	Member
Paolo Vincent C. Wenceslao	Member

1 Sylvia C. Wenceslao assumed as Chairman of Executive Committee on November 11, 2021.

Audit and Risk Committee

Our Audit and Risk committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations, control and governance processes.

The Committee assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with laws, rules and regulations, oversight over the external auditors, the nature, scope and expenses of the audit, and evaluation and determination of any non-audit work and review of the non-audit fees paid to the external auditors.

Oscar S. Reyes	Chairman
Sylvia C. Wenceslao[2]	Member
Albert P. Fenix Jr.	Member

2 Sylvia C. Wenceslao assumed as Member of the Audit and Risk Committee on November 11, 2021.

Compensation and Remuneration Committee

Our Compensation and Remuneration Committee is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and our key executives to enable them to run our Group successfully.

Paolo Vincent C. Wenceslao	Chairman
Oscar S. Reyes	Member
Edwin Michael C. Wenceslao	Member

Nomination and Election Committee

Our Nomination and Election Committee is responsible for providing our shareholders with an independent and objective evaluation and assurance that the members of the Board are competent and will foster long-term success and competitiveness. The nomination and election procedures of independent Directors are in accordance with Securities Regulation Code of the Philippines Rule 38 and related regulations.

Sylvia C. Wenceslao[3]	Chairman
Alberto P. Fenix, Jr.	Member
Carlos Delfin C. Wenceslao	Member

3 *Sylvia C. Wenceslao assumed office as Chairman of Nomination and Election Committee on November 11, 2021.*

Enterprise Risk Management

We recognize that risk management is an integral part of sound management practice and good corporate governance as it guides decision-making, improves results, and strengthens accountability. As a result, we established a sound risk management practice through the institutionalization of our Enterprise Risk Management Manual. Our Risk Manual provides a systematic and structured framework in which material risks are identified and addressed in a way that:

- gives reasonable assurance that the use of the valuable organizational resources is being effectively prioritized.
- results to practical, effective, and accountable actions and decisions, reasonable in relation to the conditions within which the Company operates.

Statement of Policy

The board of directors, management, officers and staff of D.M. Wenceslao are committed to the effective management of risk by integrating risk management practice into all of our business processes and operations. It is our policy to adopt best practices in the identification, analysis, evaluation, communication, and cost-effective management of material risks to ensure the attainment of our corporate vision and mission.

The Risk Management Process

Identifying Risk. We identify the internal and external risks that impact the performance of strategy and business objectives. When identifying the risks, we also consider the environmental, social, and governance (ESG)-related factors that could affect the Company's ability to achieve its strategy or objectives. The identification process may include surveys, workshops and interviews with risk owners and executives to confirm existing risks or understand new or emerging risks.

Assessing and Prioritizing Risk. After the identification of risks, we assess the impact and likelihood of each risk using a defined impact criteria and likelihood criteria. Once the risks are assessed, we determine the "top 10 risks" of the company using a 25-box Risk Heat Map to depict the prioritization of its most critical risks according to the impact and likelihood. Risk assessment shall be done continuously and throughout the Company.

Responding to Risk. Once the "top 10 risks" are identified, we select and deploy an appropriate risk response, which may be to avoid, transfer, reduce, accept, or exploit the risk.

Monitoring the Risk. We continuously monitor the risks and effectiveness of the implementation of the strategies and action plans, as well as the effectiveness of the Company's ERM framework. As the ERM process is not a one-time or static activity, we assess the effectiveness of the ERM process through regular feedback and assessment with the management and other stakeholders.

Board of Directors

SYLVIA C. WENCESLAO
Chairperson

Dr. Sylvia C. Wenceslao is the Chairperson of D.M. Wenceslao and Associates, Incorporated. Prior to Dr. Sylvia C. Wenceslao's appointment as Chairperson, she served as the company's Treasurer and most recently, Vice President for Corporate Social Responsibility. Concurrently, she also serves as Vice Chairman of Wendel Construction Company Inc., Director and Vice President of Fabricom, Inc., Treasurer of Philippine Ecopanel Inc., Wendel Holdings Company Inc. and Director of Aseana Holdings, Inc.

Dr. Sylvia C. Wenceslao holds a Doctor of Medicine from the University of Santo Tomas.

DELFIN ANGELO C. WENCESLAO
Director and Chief Executive Officer

Mr. Delfin Angelo C. Wenceslao is a Director and the Chief Executive Officer of the Company since June 2015. He is the President of Aseana Holdings, Inc., Aseana Gas Energy Corp. and U-City Technologies Philippines, Inc. He is also the Managing Director of Aseana Real Estate and Management Corp. He serves as the Chief Executive Officer of ABPEA and Vice President of Property Management of Aseana Residential Holdings Corp. and Portal Holdings, Inc. He also serves as an executive officer for almost all of the Group companies.

Mr. Wenceslao is a licensed real estate broker and holds a Bachelor of Arts degree in Management Economics from Ateneo de Manila University and a Master of Science degree in Real Estate Development from Massachusetts Institute of Technology. He also serves as a Global Governing Trustee for the Urban Land Institute.

PAOLO VINCENT C. WENCESLAO
Director and Chief Operating Officer

Mr. Paolo Vincent C. Wenceslao is a Director and the Chief Operating Officer of the Company since June 2015. He is the President of Wendel Ground Improvement, Inc., and Vice President of Operations of Aseana Residential Holdings Corp., and Portal Holdings Inc. He is also the Chief Operating Officer of ABPEA and serves as a director of a majority of our Group companies.

Mr. Wenceslao is a licensed civil engineer and real estate broker. He holds a Bachelor of Science degree in Civil Engineering from De La Salle University.

EDWIN MICHAEL C. WENCESLAO
Director and Treasurer

Mr. Edwin Michael C. Wenceslao is a Director and the Treasurer of the Company since 2002. He also serves as a director and Treasurer of Aseana Holdings, Inc., Fabricom, Inc., BAHI and other affiliates of the Company. He is a director and Treasurer of Aseana Residential Holdings Corp., Aseana Gas Energy Corp. and U-City Technologies Philippines, Inc. He likewise serves as a director of Portal Holdings, Inc., WHI and other affiliates of the company.

Mr. Wenceslao holds a Bachelor of Arts degree in Humanities with specialization in Entrepreneurial Management from the University of Asia, and the Pacific and a Master of Business Administration degree from the Ateneo Graduate School of Business.

CARLOS DELFIN C. WENCESLAO
Director and Vice President for Logistics

Mr. Carlos Delfin C. Wenceslao is a Director of the Company since May 1997. He is the President of Urban Agro Products, Inc., the Executive Vice President of SHLP-BBP Realty Inc., and the Corporate Secretary of ABPEA. He is a director and Vice President of Logistics of Aseana Residential Holdings Corp. and Portal Holdings, Inc. He is a director of Aseana Holdings, Inc., WHI, and other affiliates of our Company.

OSCAR S. REYES
Independent Director

Mr. Oscar S. Reyes was elected as an independent Director of the Company in July 2019. He was the former President and Chief Executive Officer of Manila Electric Company from May 2012 to May 2019, wherein he also served as Senior Executive Vice President and Chief Operating Officer from July 2010 to May 2012. Mr. Reyes was the Country Chairman of the Shell companies in the Philippines, and the President & CEO of Pilipinas Shell Petroleum Corp. from May 1997 to December 2011. He also held various executive and directorship positions in these companies from January 1986 to December 2004.

Mr. Reyes is currently an Independent Director of Pepsi Cola Products Philippines Inc., Basic Energy Corporation and Cosco Capital Inc., and a member of the Advisory Council of PLDT Inc., and Bank of the Philippine Islands.

Mr. Reyes obtained his Bachelor of Arts Major in Economics (Cum Laude) from the Ateneo de Manila University in 1965 and Master of Business Administration (Academic units completed) from the Ateneo Graduate Business School in 1971. He also attended the Japan Productivity Center/Asian Productivity Organization Business Management Consultants and Trainers' Program, the Waterloo Lutheran University International Management Development Program in Canada, the Harvard Business School Program for Management Development in the United States, and the Lensbury Centre Commercial Management Study Program in the United Kingdom.

ALBERTO P. FENIX, JR.
Independent Director

Dr. Alberto P. Fenix, Jr. was elected as an independent Director of the Company on February 23, 2018. He has over 40 years of experience in various industries such as manufacturing, mining, commercial and investment banking, and real estate. He is a director of SPC Power Corporation and was also a director of Victorias Milling Company, Inc. He is also the Chairman and President of Fenix Management and Capital, Inc. and Alpina Realty, Inc., as well as President of Ivoclar Vivadent, Inc.

Dr. Fenix holds both master's and doctorate degrees in Industrial Management from Massachusetts Institute of Technology's Sloan School of Management and a bachelor's degree in Mathematics from Ateneo de Manila University.

Senior Management

BENIGNO TATUNAY, CPA
Chief Finance Officer

Mr. Benigno Tatunay is the Chief Finance Officer of the Company. He is Certified Public Accountant (CPA) and a licensed real estate broker. He is a seasoned Finance Executive with over two decades of experience in the real estate industry. Prior to joining the Company, Mr. Tatunay served as the Chief Finance Officer of a real estate company for over a decade. He also held positions in treasury, accounting, and audit in various companies.

Mr. Tatunay earned his Bachelor of Science in Accountancy from Pamantasan ng Lungsod ng Maynila, where he graduated Magna Cum Laude. He earned his Master in Business Administration from De La Salle University, where he graduated with distinction.

ATTY. PAUL MAR M. QUINTO
Chief Legal Officer and Corporate Secretary

Atty. Paul Mar M. Quinto is the Chief Legal Officer and Corporate Secretary of the Company since June 25, 2015. He is the in-house Legal Counsel for all of the Group companies and also possesses legal private practice and other inhouse working experience prior to joining the Company.

Atty. Quinto completed his Political Science and Law degrees from the University of the Philippines and is a member of the Integrated Bar of the Philippines.

JULIUS M. GUEVARA
Vice President for Corporate Planning

Mr. Julius M. Guevara is the Vice President for Corporate Planning. He has over two decades of real estate experience, encompassing property development, investments, asset management, research and consulting. Previously, he headed Colliers International's development consulting practice in Asia.

Mr. Guevara has a Bachelor of Arts degree in Management Economics from Ateneo de Manila University, a Master of Business Administration degree from De La Salle University and a Master's in Professional Studies in Real Estate degree from Cornell University.

JEFFREY LUCERO
Investor Relations Officer

Mr. Jeffrey Lucero is the Investor Relations Officer of the Company. Prior to joining the Company, he was an Equity Analyst in a local trust and asset management group and in a local stock brokerage firm. He was also part of the Investor Relations team of one of the largest conglomerates in the country. He is a Global Reporting Initiative (GRI) Certified Sustainability Professional.

Mr. Lucero graduated Cum Laude from De La Salle University with a Bachelor's degree in Business Management.

Financial Statements

D.M.WENCESLAO & ASSOCIATES, INC.
GENERAL CONTRACTORS

15th Floor Aseana 3 Bldg., Pres. D. Macapagal Boulevard
cor. Asean Ave., Parañaque City, Metro Manila, Philippines
TEL.: (632) 8-854-5711 FAX: (632) 8-853-2590

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

Punongbayan and Araullo, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

SYLVIA C. WENCESLAO
Chairman

DELFIN ANGELO C. WENCESLAO
Chief Executive Officer

BENIGNO A. TATUNAY
Chief Financial Officer

Signed this 15th day of March, 2023

• CONSTRUCTION • SUPERVISION AND MANAGEMENT • PLANNING AND DESIGN • DEVELOPMENT •

ISO 9001 – 2015 CERTIFIED

JAS-ANZ

MEMBER

Management Service

Accreditation by the Joint Accreditation System of Australia and New Zealand URL www.jas-anz.org/register

Cert. No. TUV 100 05 1867

P&A Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
D.M. Wenceslao & Associates, Incorporated and Subsidiaries
(A Subsidiary of Wendel Holdings Co., Inc.)
15th Floor, Aseana 3
D. Macapagal Blvd. corner Asean Ave., Aseana City
Parañaque City

Opinion

We have audited the consolidated financial statements of D.M. Wenceslao & Associates, Incorporated and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the consolidated financial statements are disclosed in Note 2 to the consolidated financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key audit matters identified in our audit of the consolidated financial statements of the Group are the following:

(a) Revenue Recognition for Rental of Investment Properties

Description of the Matter

In 2022, the Group recognized revenue from rentals of investment properties amounting to P1,818.4 million, which represents 43% of the Group's total revenue. Rental income on long-term leases is recognized on a straight-line basis over the term of the relevant lease agreements as disclosed in Note 2 to the consolidated financial statements.

We identified the revenue recognition from rentals as significant to our audit due to the materiality of the amount of rental revenue, and the significant management judgment and complexity involved in the application of the provisions and terms of the lease agreements relative to the requirements of the applicable accounting standard, PFRS 16, *Leases*. An error in the Group's understanding of the significant terms and conditions of the lease agreements and accounting treatment may result in overstatement or understatement of the reported rental revenues and the related receivables recognized therefrom.

The Group's disclosures relating to revenues from rentals are disclosed in Notes 4, 15, 26 and 29.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to recognition of revenue from rentals included the following:

- inspecting, on a sample basis, the lease agreements entered into with the Group's tenants, and understanding the significant terms and conditions, as disclosed in Note 29 to the consolidated financial statements, affecting the recognition of rental income;
- determining, based on the significant terms and conditions of the lease agreements, whether the recognition of rental income is in compliance with the revenue recognition requirements of PFRS 16;

- recomputing, on a sample basis, the amounts of rental income and the related receivables taking into consideration, among others, the lease payments, lease terms (including rent-free periods), periodic rent escalations, and effect of any modifications; and,

- testing, on a sample basis, whether rental income related to existing lease agreements have been recognized in the proper accounting period.

(b) Revenue Recognition on Sale of Condominium Units

Description of the Matter

In 2022, the Group recognized revenue from sale of condominium units amounting to P1,250.7 million which represents 30% of the Group's total revenues. As disclosed in Notes 2 and 3 to the consolidated financial statements, the Group recognizes revenue from sale of condominium units over time proportionate to the progress of real estate project. The Group uses the input method in determining the percentage-of-completion after satisfying the gating criteria of PFRS 15, *Revenue from Contracts with Customers,* including establishing that collection of the total contract price is reasonably assured.

We identified the revenue recognition on sale of condominium units as significant to our audit as it requires significant management judgment in assessing the collectibility of the contract price, and estimating the stage of completion of the real estate project. An error in application of judgment and estimate could cause a material misstatement in the consolidated financial statements.

The details of revenue on sale of condominium units are disclosed in Note 4 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition on sale of condominium units included, among others, the following:

- evaluating appropriateness of the Group's revenue recognition policy, testing the design and operating effectiveness of processes and controls related to the recognition of revenues from sale of condominium units;

- determining, among others, whether the parties to the contract have approved the contract in writing; each party's rights regarding the condominium units and progress of development thereof can be identified; the payment terms can be identified; the risk, timing or amount of the future cash flows is expected to change as a result of the contract has been identified; and, the collection of the consideration is probable;

- evaluating the reasonableness of the percentage-of-completion by analyzing the costs incurred to date as a proportion of the total estimated and budgeted costs;

- examining, on a sample basis, contracts with customers and other relevant supporting documents to ascertain revenue occurrence and proper recognition and measurement based on contract terms and conditions;

- testing, on a sample basis, actual costs incurred through direct examination of relevant supporting documents;

- assessing the reasonableness of estimated contract costs with reference to contractors' and suppliers' quotes and historical costs of similar and recently completed projects, taking into consideration the effect of variation to the original contract terms;

- recomputing the revenues and costs recognized during the year based on the percentage-of-completion and tracing the revenues and costs recognized to the accounting records; and,

- evaluating appropriateness of the Group's continuous application of PFRS 15 on its real estate transactions.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant

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

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

The engagement partner on the audit resulting in this independent auditors' report is John Endel S. Mata.

PUNONGBAYAN & ARAULLO

By: John Endel S. Mata
Partner

CPA Reg. No. 0121347
TIN 257-622-627
PTR No. 9566637, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 121347-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-040-2019 (until Jan. 24, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 15, 2023

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

	Notes	2022	2021
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	8	**P 5,594,474,547**	P 5,665,952,194
Receivables - net	9	**2,648,704,408**	3,313,198,467
Contract asset	10	**199,489,733**	33,217,659
Land and land development costs	11	**1,703,931,615**	2,080,156,703
Property development costs	10	**1,820,603,113**	1,589,013,035
Other current assets	12	**1,605,133,813**	1,367,905,540
Total Current Assets		**13,572,337,229**	14,049,443,598
NON-CURRENT ASSETS			
Receivables	9	**4,365,970,639**	3,925,600,540
Contract asset	10	**620,843,037**	110,874,110
Investments in associates and a joint venture	13	**128,629,011**	117,605,994
Property and equipment - net	14	**330,236,572**	322,642,051
Investment properties - net	15	**18,994,980,313**	17,566,285,617
Deferred tax assets - net	25	**573,307**	98,757,680
Other non-current assets	17	**630,962,832**	792,273,813
Total Non-current Assets		**25,072,195,711**	22,934,039,805
TOTAL ASSETS		**P 38,644,532,940**	P 36,983,483,403

	Notes	2022	2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Loans and borrowings	18	**P 1,269,444,444**	P 1,094,850,000
Trade and other payables	19	**2,093,508,346**	1,994,093,513
Contract liability	10	**264,578,852**	246,577,141
Advances from and due to a related party	26	**4,060,258,654**	4,034,868,945
Deposits and advances	20	**555,015,287**	791,435,455
Lease liabilities	16	**42,581,242**	46,564,508
Income tax payable		**17,114,043**	199,140,295
Total Current Liabilities		**8,302,500,868**	8,407,529,857
NON-CURRENT LIABILITIES			
Loans and borrowings	18	**1,912,055,556**	2,187,500,000
Contract liability	10	**122,606,445**	205,956,339
Deposits and advances	20	**520,435,301**	453,260,827
Deferred tax liabilities - net	25	**1,113,470,745**	989,064,015
Lease liabilities	16	**481,947,674**	487,471,404
Retirement benefit obligation - net	24	**18,300,324**	28,522,844
Total Non-current Liabilities		**4,168,816,045**	4,351,775,429
Total Liabilities		**12,471,316,913**	12,759,305,286
EQUITY			
Equity attributable to shareholders of the parent company	28		
Capital stock		**3,395,864,100**	3,395,864,100
Additional paid-in capital		**6,964,649,807**	6,964,649,807
Revaluation reserves - net		**(38,278,610)**	(52,292,139)
Other reserves	2	**(275,974,845)**	(275,974,845)
Retained earnings		**15,505,467,663**	13,590,761,227
Total equity attributable to shareholders of the parent company		**25,551,728,115**	23,623,008,150
Noncontrolling interest	2	**621,487,912**	601,169,967
Total Equity		**26,173,216,027**	24,224,178,117
TOTAL LIABILITIES AND EQUITY		**P 38,644,532,940**	P 36,983,483,403

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
REVENUES	4			
Rentals:	26			
Land	15, 20, 29	**P 1,010,414,057**	P 967,938,663	P 978,480,504
Building	15, 20, 29	**808,006,773**	811,036,957	809,094,738
Other revenues	2, 26	**355,463,327**	213,216,218	172,690,275
		2,173,884,157	1,992,191,838	1,960,265,517
Sale of condominium units	2	**1,250,744,538**	615,411,761	749,297,294
Sale of land	2	**787,600,000**	787,600,000	-
Construction contracts	2	**8,036,115**	51,509,315	24,802,115
		4,220,264,810	3,446,712,914	2,734,364,926
COSTS OF SERVICES AND SALES	23			
Rentals	21	**377,541,441**	275,832,932	237,283,824
Sale of condominium units	2, 10, 21	**535,175,796**	227,588,283	409,473,489
Sale of land	11	**55,212,604**	55,212,604	-
Construction contracts	21	**6,954,932**	39,719,448	16,372,838
		974,884,773	598,353,267	663,130,151
GROSS PROFIT		**3,245,380,037**	2,848,359,647	2,071,234,775
OTHER OPERATING INCOME (EXPENSES)				
General and administrative	23	**(524,630,585)**	(436,340,082)	(465,582,990)
Selling	23	**(108,927,120)**	(31,119,300)	(36,385,809)
Other operating income	22	**115,840,621**	105,470,295	138,072,368
		(517,717,084)	(361,989,087)	(363,896,431)
OPERATING PROFIT		**2,727,662,953**	2,486,370,560	1,707,338,344
OTHER INCOME (CHARGES)				
Finance costs	16, 18, 22, 24	**(65,840,943)**	(54,245,821)	(41,061,721)
Finance income	8, 22	**56,428,409**	16,006,786	91,468,484
Share in net earnings of associates and joint ventures	13	**11,023,017**	29,721,313	26,013,531
Dividend income		**2,940,008**	3,034,360	2,940,008
Other income	4, 13, 22	**-**	-	1,000,000,000
		4,550,491	(5,483,362)	1,079,360,302
PROFIT BEFORE TAX		**2,732,213,444**	2,480,887,198	2,786,698,646
TAX EXPENSE	25	**590,228,090**	389,953,629	622,489,507
NET PROFIT		**P 2,141,985,354**	P 2,090,933,569	P 2,164,209,139
Net profit attributable to:				
Equity shareholders of the parent company		**P 2,121,667,409**	P 2,069,694,381	P 2,130,725,241
Noncontrolling interest		**20,317,945**	21,239,188	33,483,898
		P 2,141,985,354	P 2,090,933,569	P 2,164,209,139
Earnings Per Share - Basic and Diluted	27	**P 0.625**	P 0.609	P 0.627

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
NET PROFIT		**P 2,141,985,354**	P 2,090,933,569	P 2,164,209,139
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	24	**18,229,335**	21,935,146	(38,431,996)
Tax income (expense)	25	**(4,557,334)**	(5,483,787)	11,529,599
		13,672,001	16,451,359	(26,902,397)
Fair value gain (loss) on financial assets at fair value through other comprehensive income	17, 28	**341,528**	(7,492,165)	(26,205,316)
Other Comprehensive Income (Loss) – net of tax	28	**14,013,529**	8,959,194	(53,107,713)
TOTAL COMPREHENSIVE INCOME		**P 2,155,998,883**	P 2,099,892,763	P 2,111,101,426
Total comprehensive income attributable to:				
Equity shareholders of the parent company		**P 2,135,680,938**	P 2,078,653,575	P 2,077,617,528
Noncontrolling interest		**20,317,945**	21,239,188	33,483,898
		P 2,155,998,883	P 2,099,892,763	P 2,111,101,426

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Note	Atributable to Shareholders of the Parent Company							Noncontrolling	Total
						Retained Earnings				
		Capital Stock	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Unappropriated	Appropriated	Total	Interest	Equity
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 dividend declared	28	-	-	-	-	(206,960,973)	-	(206,960,973)	-	(206,960,973)
Net profit for the year		-	-	-	-	2,121,667,409	-	2,121,667,409	20,317,945	2,141,985,354
Other comprehensive income for the year		-	-	14,013,529	-	-	-	14,013,529	-	14,013,529
Balance at December 31, 2022	28	**P 3,395,864,100**	**P 6,964,649,807**	**(P 38,278,610)**	**(P 275,974,845)**	**P 14,305,467,663**	**P 1,200,000,000**	**P 25,551,728,115**	**P 621,487,912**	**P 26,173,216,027**
Balance at January 1, 2021		P 3,395,864,100	P 6,964,649,807	(P 61,251,333)	(P 275,974,845)	P 10,481,066,379	P 1,200,000,000	P 21,704,354,108	P 579,930,779	P 22,284,284,887
Cash dividend declared	28	-	-	-	-	(159,999,533)	-	(159,999,533)	-	(159,999,533)
Net profit for the year		-	-	-	-	2,069,694,381	-	2,069,694,381	21,239,188	2,090,933,569
Other comprehensive income for the year		-	-	8,959,194	-	-	-	8,959,194	-	8,959,194
Balance at December 31, 2021	28	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
Balance at January 1, 2020		P 3,395,864,100	P 6,964,649,807	(P 8,143,620)	(P 275,974,845)	P 8,710,340,671	P 1,200,000,000	P 19,986,736,113	P 546,446,881	P 20,533,182,994
Cash dividend declared	28	-	-	-	-	(359,999,533)	-	(359,999,533)	-	(359,999,533)
Net profit for the year		-	-	-	-	2,130,725,241	-	2,130,725,241	33,483,898	2,164,209,139
Other comprehensive loss for the year		-	-	(53,107,713)	-	-	-	(53,107,713)	-	(53,107,713)
Balance at December 31, 2020	28	P 3,395,864,100	P 6,964,649,807	(P 61,251,333)	(P 275,974,845)	P 10,481,066,379	P 1,200,000,000	P 21,704,354,108	P 579,930,779	P 22,284,284,887

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 2,732,213,444	P 2,480,887,198	P 2,786,698,646
Adjustments for:				
Depreciation and amortization	14, 15, 16	254,719,144	156,271,009	153,829,871
Interest expense and other charges	16, 18, 20	63,966,921	46,375,568	39,767,185
Interest income	8, 12	(53,384,109)	(14,711,878)	(88,678,484)
Share in net earnings of associates and joint ventures	13	(11,023,017)	(29,721,313)	(26,013,531)
Dividend income		(2,940,008)	(3,034,360)	(2,940,008)
Unrealized foreign currency losses (gains) - net	22	(3,044,300)	(1,294,908)	1,294,536
Fair value loss (gain) in financial assets at fair value through profit or loss	12	330,000	2,070,000	(2,790,000)
Gain on derecognition of advances from a co-joint venturer	13	-	-	(1,000,000,000)
Operating profit before working capital changes		2,980,838,075	2,636,841,316	1,861,168,215
Decrease (increase) in receivables		186,127,787	(934,882,669)	(854,447,715)
Decrease (increase) in contract asset		(676,241,001)	(52,089,562)	157,010,743
Decrease (increase) in land and land development costs		(39,276,328)	55,730,227	(100,043,074)
Decrease (increase) in property development costs		(176,152,724)	(510,080,489)	138,754,903
Increase in other assets		(49,731,537)	(7,783,844)	(272,450,284)
Increase in trade and other payables		99,414,833	261,138,943	550,338,053
Increase (decrease) in contract liability		(65,348,183)	(238,278,222)	136,076,571
Decrease in deposits and advances		(179,531,727)	(160,062,420)	(158,465,664)
Increase in retirement benefit obligation		8,006,815	5,193,182	3,153,787
Cash generated from operations		2,088,106,010	1,055,726,462	1,461,095,535
Cash paid for income taxes	25	(580,064,800)	(253,908,677)	(888,363,949)
Interest received		53,054,109	12,641,878	91,468,484
Net Cash From Operating Activities		1,561,095,319	814,459,663	664,200,070
CASH FLOWS FROM INVESTING ACTIVITIES				
Construction in progress, development costs and acquisition of investment properties	15	(1,151,905,785)	(1,723,489,297)	(3,076,360,543)
Collection of advances to related parties	26	83,835,886	24,452,700	24,546,137
Acquisitions of property and equipment	14	(82,975,832)	(12,024,850)	(11,557,531)
Additional advances to related parties	26	(45,839,713)	(81,520,669)	(31,185,661)
Dividend received		2,940,008	3,034,360	2,940,008
Maturities of short-term placements	12	-	585,000,000	1,475,000,000
Net Cash Used in Investing Activities		(1,193,945,436)	(1,204,547,756)	(1,616,617,590)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividends declared and paid to stockholders of parent company	28	(206,960,973)	(159,999,533)	(160,000,000)
Additional advances from related parties	26	137,992,739	117,184,362	-
Interest paid		(117,279,326)	(69,820,908)	(23,602,439)
Repayments of advances from related parties	26	(112,603,030)	(115,433,571)	(318,616,168)
Repayments of interest-bearing loans and borrowings	18	(100,850,000)	(1,114,670,000)	(114,700,000)
Repayments of lease liabilities	16	(41,971,240)	(32,004,586)	(11,282,400)
Additional interest-bearing loans and borrowings	18	-	3,000,000,000	1,000,000,000
Cash dividends declared and paid by subsidiaries to its other shareholders	28	-	-	(199,999,533)
Net Cash From (Used in) Financing Activities		(441,671,830)	1,625,255,764	171,799,460
Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents		3,044,300	1,294,908	(1,294,536)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(71,477,647)	1,236,462,579	(781,912,596)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,665,952,194	4,429,489,615	5,211,402,211
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 5,594,474,547	P 5,665,952,194	P 4,429,489,615

Supplemental Information on Non-cash Activities - See Note 31

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(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 28.1).

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 13).

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 December 31, 2022 and 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, respectively. 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 2022 consolidated 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 financial statements.

As of December 31, 2022 and 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 2022	2021
Subsidiaries:			
Direct:			
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%
Direct and Indirect:			
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%
Indirect:			
58 Jupiter Inc. (formerly Reine, Inc.) (58 Jupiter) – *Accounted for as Asset Acquisition*	(l)	**100.00%**	100.00%
L&B Development Corporation (LBDC) – *Accounted for as Asset Acquisition*	(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 Esate 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 13.3(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) The Group obtained control over AGFHC upon initial subscription of DMWAI and AHI to the additional common shares of AGFHC resulting to 7.5% direct ownership and 75% indirect ownership through AHI. The acquisition was accounted for as pooling-of-interest method of accounting as the previous stockholders of AGFHC were the principal stockholders of the Group [see Note 3.1(k)]. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting and no restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination [see Note 2.3(a)(ii)]. AGHFC was incorporated in October 22, 1999 and has started commercial operations in 2021. The assets and liabilities acquired amounting to P0.4 million and P0.6 million, respectively, were assessed by management to be not significant. 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, 2022, 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 13.3(a)].

As of December 31, 2022, FRDC, R-1, MLCI, AITPI, SBRI, BIADC, AGEC, and ACBMDC have not yet started commercial operations.

1.3 Continuing 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 and its impact has been continuing until the date of the approval of these financial statements. In 2022, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions. Demand and supply of products are slowly returning to pre-pandemic levels. As a result, overall continuing impact of the COVID-19 pandemic to the Group is continuously improving and Group's operations is slowly going back to its pre-pandemic levels.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern due to the effects of the pandemic.

1.4 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2022 (including the comparative consolidated financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Parent Company's BOD on March 15, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis for Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated 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 (IASB), and approved by the Philippine Board of Accountancy.

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, A*mendment 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	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. Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in its consolidated financial statements: • 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
PIC Q&A No. 2018-12-D, *Concept of the significant financing component in the contract to sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments (continued)*	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. 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. 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 the year of adoption and in comparative periods presented.	Until December 31, 2023

Relief	Description and Implication	Deferral Period
PIC Q&A No. 2018-12-E, *Treatment of land in the determination of POC*	Land on which the real estate development will be constructed shall also be excluded in the assessment of POC. Had the Company elected not to defer this provision of the standard, it would have the following impact on the consolidated financial statements: • 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.

2.2 Adoption of Amended PFRS

(a) Effective in 2022 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
PFRS 3 (Amendments)	:	Business Combinations – Reference to the Conceptual Framework
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below and in the succeeding page are the relevant information about these pronouncements.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Group's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Group's consolidated financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework*. The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Group's consolidated financial statements:

a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective in 2022 that are not Relevant to the Group

Among the amendments and annual improvements to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, only the following Annual Improvements to PFRS 2018-2020 Cycle are not relevant to the Group:

a. PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

b. PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification* of *Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company, and its subsidiaries as enumerated below, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries, associates and noncontrolling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

(i) Accounting for Business Combination Using the Acquisition Method

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any.

The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any noncontrolling interest in the acquiree, either at fair value or at the noncontrolling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any noncontrolling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.9).

(ii) Accounting for Business Combination Using the Pooling-of-interests Method

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under *PIC Q&A No. 2012-01, PFRS 3.2; Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements, (Amended by PIC Q&A No. 2015-01and PIC Q&A No. 2018-13)*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as equity reserves, which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements.

The assets and liabilities of the acquired entities are combined using their respective carrying values and any difference is accounted for and recognized in Other Reserves account presented under the consolidated statement of changes in equity.

(b) Investment in Associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recognized in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Share in Net Earnings or Losses of Associates and Joint Ventures account in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income transactions of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Dividends distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) Investment in Joint Ventures

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. Each venturer usually contributes cash or other resources to the jointly controlled entity. Those contributions are included in the accounting records of the venturer and recognised in the venturer's financial statements as an investment in the jointly controlled entity.

Investments in joint venture are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in the jointly controlled entity is subject to the purchase method. The purchase method involves the recognition of the jointly controlled entity's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recognized in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the venturer's share of the identifiable net assets of the joint venture at the date of acquisition. Any goodwill or fair value adjustment attributable to the venturer's share in the joint venture is included in the amount recognized as investment in joint venture.

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against the Share in Net Earnings or Losses of Associates and Joint Ventures account in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in joint venture will not be recovered (see Note 2.21).

Changes resulting from other comprehensive income transactions of the jointly controlled entity or items recognized directly in the jointly controlled entity's equity are recognized in other comprehensive income or equity of the venturer, as applicable. However, when the venturer's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the venturer does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the venturer resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the jointly controlled entity are accounted for as a reduction of the carrying value of the investment.

(d) Transactions with Noncontrolling Interests

The Group's transactions with noncontrolling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity (i.e., Other Reserves account). Disposals of equity investments to noncontrolling interests result in gains and losses for the Group that are also recognized in other components of equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries and in an associate as presented in Notes 1 and 13, respectively.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments – Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets that are applicable to the Group are described below and in the succeeding pages.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Receivables (except Advances to suppliers), and Refundable deposits (presented as part of Other Non-current Assets account).

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Group has designated unquoted equity instruments and proprietary golf club shares as Financial assets at FVOCI on initial recognition. These are presented as Financial assets at FVOCI under the Other Non-current Assets account in the consolidated statement of financial position.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss under Other Income, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(iii) Financial Assets at Fair Value Through Profit or Loss

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL significantly include equity securities and a small portion of convertible debt securities, which are held by the Group for trading purposes and designated as at FVTPL, respectively.

Financial assets at FVTPL are initially measured at fair value. Subsequently, they are measured at fair value with gains or losses recognized in profit or loss as part of Finance Income in the consolidated statements of profit or loss.

Interest income on financial assets measured at amortized cost is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Interest income earned is recognized in the consolidated statement of profit or loss as part of Finance Income.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria. A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) *Impairment of Financial Assets*

At the end of the reporting period, the Group assesses and recognizes for expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument evaluated based on a range of possible outcomes.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables (other than advances to and rental receivables from related parties) and other financial assets carried at amortized costs. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Group also assesses impairment of receivables such as rental and contract receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 5.2(b)].

On the other hand, the Group applies a general approach in relation to advances to and rental receivables from related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments in *the* event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, if applicable, for which the loss allowance is recognizes in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Land and Land Development Costs and Property Development Costs

(a) Land and Land Development Costs

Land and land development costs are initially recognized at acquisition cost or cost of land reclamation and related land development costs, if the land is reclaimed. Land and land development costs include capitalized borrowing costs incurred before the completion of the reclamation project (see Note 2.23). A valuation allowance is provided for land development costs that are no longer recoverable.

Subsequent to initial recognition, land and land development costs are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of asset.

(b) Property Development Costs

The costs of land, development and construction of the residential condominium projects of the Group are accumulated in the Property Development Costs account in the consolidated statement of financial position. These costs are initially recognized at cost when the Group obtained control over the land, and when materials purchased and services performed in relation to the development of the residential condominium projects have been delivered or rendered. Borrowing costs, if any, on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of property development costs (see Note 2.23). All costs relating to the real estate properties sold are recognized as cost/expense as the work to which they relate is performed.

Costs of properties and projects accounted for as Property Development Costs are assigned using specific identification of their individual costs. These properties and projects are subsequently measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates based on the input method in the year in which these changes become known [see Note 2.16(b)]. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

The Group accounts for sales cancellation as a contract modification. Accordingly, the related repossessed property arising from a sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or contract asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of profit or loss.

2.6 Property and Equipment

Except for land stated at acquisition cost less any impairment in value, property and equipment are stated at acquisition cost or construction cost less accumulated depreciation, amortization and any impairment losses. The cost of an asset comprises its purchase price or construction cost and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while regular expenditures for repairs and maintenance are charged to expense as incurred.

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost (see Note 2.23). Cost is recognized when materials purchased and services performed in relation to construction of the asset have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate asset account, and depreciation is recognized based on the estimated useful life of such asset.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Building and improvements	30 years
Land improvements	15 years
Machinery and construction equipment	3-5 years
Transportation equipment	5 years
Furniture and office equipment	2-5 years
Other equipment	3 years

Amortization of leasehold improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.21).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and amortization, and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.7 Other Assets

Other assets pertain to other resources controlled by the Group as a result of past events. They are initially recognized at cost in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

These are subsequently charged to profit or loss as utilized or reclassified to another asset account, if capitalizable.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

Advances to suppliers that will be applied as payment for construction of condominium units accounted for as real estate inventories are classified and presented under the Other Current Asset account. On the other hand, advances to suppliers that will be applied as payment for construction of property and equipment, and investment properties are classified and presented under the Other Non-current Assets account. These classification and presentation are based on the eventual realization of the asset to which it was advanced for.

2.8 Investment Properties

Properties held for lease under operating lease agreements and/or for capital appreciation, which comprise mainly of land (including its land development costs), buildings and improvements and condominium units, are classified as investment property and carried at cost less accumulated depreciation and any impairment loss except for land, which is carried at cost less any impairment in value (see Note 2.21).

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Buildings and improvements	30 years
Condominium units	25 years

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing costs (see Note 2.23). Cost is recognized when materials purchased and services performed in relation to construction of an asset have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate investment property account, and depreciation is recognized based on the estimated useful life of such asset.

The residual values, useful life and method of depreciation of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent measurement is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

An item of investment property, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.9 Business Combinations

PFRS 3 requires that an entity shall determine whether a transaction or other event is a business combination. If the assets acquired are not a business, the entity shall account for the transaction as an asset acquisition. Business acquisitions are accounted for using the acquisition or pooling-of-interest method of accounting [see Note 2.3(a)(ii)]. The accounting policy for asset acquisition is more fully discussed in Note 2.17.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Parent Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.10 Financial Liabilities

Financial liabilities, which include loans and borrowings, trade and other payables (except tax-related liabilities), lease liabilities, advances from and due to related parties, rental deposits and construction bond under Deposits and Advances account, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability, except those capitalized as part of qualifying asset, are recognized as an expense under Finance Costs account in the consolidated statement of profit or loss.

Loans and borrowings are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance costs are charged to profit or loss, except for capitalized borrowing costs for qualifying assets, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables and lease liabilities [see Note 2.18(a)] are initially recognized at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

Advances from and due to related parties, advances from a co-joint venture and construction bonds are initially recognized at its nominal value and subsequently measured at amortized cost less settlement payments.

Rental deposits are recognized when cash is received or becomes receivable from tenants based on the terms of the lease agreements. These are initially measured at the amount of cash received or receivables in accordance with the terms of the lease agreement. Rental deposits are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee; its chief operating decision-maker. The executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.12 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Current versus Non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

2.15 Contract Asset and Contract Liability

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold (see Note 2.16). Any rights to consideration recognized by the Group as it develops the property are presented as Contract Asset account in the consolidated statement of financial position. Contract asset is subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets (see Note 2.21).

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liability account in the consolidated statement of financial position (see Note 2.16). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.16 Revenue and Expense Recognition

Revenue comprises revenue from rentals (see Note 2.18), construction contracts, and sale of land and condominium units.

To determine whether to recognize revenue, the Group follows a five-step process:

(a) identifying the contract with a customer;
(b) identifying the performance obligation;
(c) determining the transaction price;
(d) allocating the transaction price to the performance obligations; and,
(e) recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(a) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(b) each party's rights regarding the goods or services to be transferred or performed can be identified;
(c) the payment terms for the goods or services to be transferred or performed can be identified;
(d) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(e) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(c) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group enters into transactions involving rentals, construction services, sale of land and condominium units, and other contracts containing performance obligations with counterparties. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(c). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the asset or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The Company also assesses its revenue agreements against the specific criteria enumerated below in order to determine if it is acting as principal or agent. Both the legal form and the substance of the agreement are considered to determine each party's respective roles in the agreement. Revenue is recorded at gross when acting as a principal while only net revenues are considered if only an agency service exists.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b)]:

(a) *Sale of land* – revenue from sale of land is recognized as the control transfers at the point in time with the buyer, that is when the Group delivered the possession and buyer accepted the property. At that point, the buyer may already use the property and the Group becomes entitled to the full amount due from the sales contract which are normally collected within one year from the contract inception date.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Buyers' deposits under the Deposits and Advances account in the consolidated statement of financial position.

For tax reporting purposes, revenue on sale and cost of raw land sold are recognized in full when more than 25% of the contract price is collected within the taxable year; otherwise, revenue and cost of raw land sold are recognized based on the percentage of collections over the contract price, excluding value-added tax (VAT).

(b) *Sale of condominium units* – for financial reporting purposes, revenues from transactions covering sale of condominium units are recognized over time under the percentage-of-completion method which is in reference to input method of measuring progress of completion. The input method measures the percentage of total actual costs incurred to date relative to the total estimated costs to complete the projects [see Note 2.2(c)].

Revenue recognized from real estate sales is presented as Sale of Condominium Units in the consolidated statement of profit or loss while the related asset or liability arising from the sale and progress of the development is presented as part of Contract Asset or Contract Liability accounts, as applicable, in the consolidated statement of financial position (see Note 2.15).

Cost of condominium units sold before the completion of the projects include the acquisition cost of the land, development costs incurred to date, any applicable borrowing costs (see Note 2.23) and in accordance with the percentage-of-completion as determined based on the input method [see Note 2.5(b)].

Payments received from customers which do not meet the revenue recognition criteria are presented as Reservation deposits under the Deposits and Advances account in the consolidated statement of financial position (see Note 2.15).

For tax reporting purposes, revenue on sale and cost of condominium units sold are recognized in full when more than 25% of the contract price is collected within the taxable year; otherwise, revenue and cost of condominium units sold are recognized based on the percentage of collections over the contract price, excluding VAT.

(c) *Construction contracts* – revenue is recognized based on the percentage-of-completion determined through the input method as the construction services are provided. The stage of completion is measured on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e., resources consumed, labor hours expended, other costs incurred, etc.) relative to the total expected inputs to the satisfaction of such performance obligation. Contract costs are recognized when incurred.

Customers are invoiced based on certain milestone as work progresses, which are also due upon receipt by the customers, depending on applicable credit terms. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

There were no recognized Contract Asset or Contract Liability accounts applicable to construction contracts as of the end of the reporting periods.

Progress billings not yet paid by customers and retention are presented as part of Receivables in the consolidated statement of financial position.

(d) *Other revenues from common use service area (CUSA)* – Other revenues arising from CUSA charges related to leasing activities are recognized over time as the Group performs the contractually agreed task. Customers are invoiced monthly as work progresses, which are also due upon receipt by the customers.

The Group assesses its revenue agreement against the specific criteria in order to determine if it is acting as a principal or an agent [see Note 3.1(l)]. Billings from common area, air conditioning and other dues are presented at gross amounts since the Group acts as a principal. Other revenues from electricity and water dues, in which the Group acts as an agent, are presented in excess of actual charges and consumption.

(e) *Rendering of administrative and other services* – This is recognized on a time-and-materials basis as the services (i.e., consultancy and strategic real estate management activities) are provided to third party property owners, tenants and other counterparties within Aseana City. Customers are also invoiced monthly as work progresses, which are also due upon receipt by the customers. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

Incremental costs of obtaining a contract to sell the condominium units to customers are recognized as part of Contract acquisition costs under Other Current Assets and Other Non-current Assets accounts and is subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Except when the impact to the consolidated financial statements is significant for incremental costs in obtaining contracts relative to sale of condominium units and other customer contracts, the Group uses the practical expedient in PFRS 15 and has expensed such costs as incurred (i.e., for construction activities and sale of land) since the expected amortization period of these costs, if capitalized, would be less than one year.

The Group also incurs costs in fulfilling contracts with customers [see Note 3.2(i)]. When determining the appropriate accounting treatment for such costs, the Group first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment cost, the Group applies the following criteria, which, if met, result in capitalization:

(i) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
(ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and,
(iii) the costs are expected to be recovered.

Any contract fulfillment assets or capitalized costs are amortized based on the transfer of goods or services the asset relates to. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

Costs of rentals and other costs and operating expenses are recognized in the profit or loss upon utilization of the goods or services or at the date they are incurred. Finance costs are reported on an accrual basis except capitalized borrowing costs (see Note 2.23).

2.17 Acquisition of Assets

Acquisition of interest in an entity that holds investment property which does not constitute a business is accounted for as an asset acquisition (see Note 2.9). A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. Under the asset purchase accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items; goodwill or gain on bargain purchase is not recognized; and, transaction costs are capitalized.

2.18 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.21).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets have been presented as part of investment properties since it relates to leases of certain parcels of land where the Group constructed improvements therein and which such assets are subsequently leased out to third parties under operating leases (see Notes 15 and 16) while lease liabilities have been presented separately from other liabilities. The current portion of the lease liabilities is the amount of lease payments that are due to be settled within one year or less after the end of reporting period.

(b) *Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties. Revenue from rentals arise from the lease of investment property comprising of land and buildings.

2.19 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material under SEC Memorandum Circular No. 10, Series of 2019, *Rules on Material Related Party Transactions for Publicly-listed Companies*.

All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Group's total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.20 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the reporting period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as part of Finance income or Finance costs under Other Income (Charges) account in the consolidated statement of profit or loss.

2.21 Impairment of Non-financial Assets

The Group's investments in associates and a joint venture, property and equipment, investment properties, right-of-use assets and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.22 Employee Benefits

The Group provides short-term and post-employment benefits to employees through defined benefit and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the consolidated profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payable accounts in the consolidated statement of financial position.

(b) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs account (or Finance Income account, as applicable) in the consolidated statement of profit or loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(c) Post-employment Defined Contribution Plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity (e.g., Social Security System). Under this plan, the Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are normally of a short-term nature.

(d) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included as part of Accrued expenses in the Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.23 Borrowing Costs

Borrowing costs, which consists of interest and other costs that the Company incurs in connection with borrowing of funds, are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset (see Notes 2.5, 2.6 and 2.8). The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.24 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.25 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise of:

(a) Gains or losses due to the changes in fair value of financial assets at FVOCI;

(b) Remeasurements of retirement benefit obligation based on the cumulative balance of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions used in the determination of post-employment defined benefit obligation; and,

(c) Gains and losses due to the revaluation of certain investment property, previously classified as property and equipment, which is accounted for as part of the deemed cost upon transition to PFRS.

Other reserves pertain to the difference between the proportionate share of the Parent Company in the net assets of certain subsidiaries over the cost of the investment in the subsidiaries under the common control business combination which is accounted for using the pooling-of-interest method.

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of profit or loss, reduced by the amounts of dividends declared, if any. Retained earnings also include an appropriated portion and therefore, are not available for dividend declaration or being restricted to cover the business expansion of the Group (see Note 28.3).

2.26 Earnings and Diluted Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit attributable to the Parent Company's shareholders by the weighted average number of common shares issued, adjusted for any stock dividends or stock splits, less any shares held in treasury during the reporting period (see Note 27).

Diluted EPS is also computed by dividing net profit attributable to the Parent Company's shareholders by the weighted average number of common shares issued and outstanding during the reporting period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of any potentially dilutive preferred shares, convertible loan and stock option.

Currently, the basic and diluted earnings per share are the same as there are no dilutive preferred shares, convertible loan and stock option (see Note 27).

2.27 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated 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.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

The factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any land improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. The Group considers the extension period as part of the lease term for a certain lease of land (as lessee) due to its enforceability that does not require mutual agreement of both parties for renewal purposes.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Determining the Timing of Satisfaction of Performance Obligations

(i) Sale of Condominium Units

The Group determined that its performance obligation to develop properties promised in its contracts with customers is satisfied over time. In making this judgment, the Group considers any asset created or enhanced as the Group performs and the ability of the customer to control such asset as it is being created or enhanced; the timing of receipt and consumption of benefits by the customer; and the Group's enforceable right for payment for performance completed to date and the alternative use of the asset created to the Group.

In determining the best method of measuring the progress of the Group's property development, management considers the input method (i.e., percentage of total costs incurred to date over the estimated costs to complete the projects) under PFRS 15.

Under this method, revenue is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. This method faithfully depicts the transfer of goods or services because in a sale of real property, not all of the benefits are consumed by the customer until the complete satisfaction of the performance obligation.

(ii) Sale of Land

The Group exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the land to customers is satisfied over time or at a point in time. In making this judgment, the Group considers the delivery to and acceptance by the buyer of the property as a transfer of control at specific point in time since the Group does not have a significant continuing involvement with the property sold to the buyer and the earning process is virtually complete. Further, the Group's enforceable right for payment becomes due upon transfer of control over the land.

(iii) Construction Contracts

The Group determined that its revenue from construction services shall be recognized over time in accordance with the percentage-of-completion method. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the construction services that create or enhance an asset that the customer controls as the asset is created or enhanced. This demonstrates that the customer obtains the benefits of the Group's rendering of construction service as it performs.

In determining the best method of measuring the progress of the Group's rendering of construction services, management considers the input method under PFRS 15 because of the direct relationship between the Group's effort, in terms of incurred labor hours and materials used, and the transfer of service to the customers.

(c) Determining the Transaction Price and Amounts Allocated to Performance Obligations

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone selling prices, which are all observable. The transaction price for a contract excludes any amounts collected on behalf of third parties (i.e., VAT).

The Group uses the practical expedient in PFRS 15 with respect to non-adjustment of the promised amount of consideration for the effects of significant financing component as the Group expects, at contract inception, that the period between the Group transfers promised assets or services to the customer and payment due date is one year or less.

(d) Determining the ECL on Trade and Other Receivables and Contract Asset

The Group uses a provision matrix to calculate ECL for non-related party trade and other receivables and contract asset. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by revenue stream type and, customer type and rating).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Management determined that there is no required ECL to be recognized on its Contract Asset account since the condominium units sold is collateralized to the related contract asset arising from the sale. Therefore, there is no expected loss given default as the recoverable amount from the subsequent re-sell of the condominium units is sufficient.

On the other hand, the Group uses a general approach to calculate ECL for advances to related parties [see Note 2.4(b)]. The Group's management determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties.

Details about the ECL on the Group's receivables and contract asset are disclosed in Note 5.2(b).

(e) *Distinguishing Investment Properties and Owner-managed Properties*

The Group determines whether a property qualifies as an investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the performance of the Group's construction and other activities, and its supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the construction and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the construction or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(f) *Distinguishing Real Estate Inventories and Investment Properties*

The Group's management identifies a property as real estate inventories (property to be developed and/or eventually sold in the normal course of business) or Investment Properties (properties intended to earn rentals, capital appreciation or held for a currently undetermined future use) at the end of each reporting period following the approved plan of the Group.

As of December 31, 2022 and 2021, parcels of land identified as Land and Land Development Costs amounted to P1,703.9 million and P2,080.2 million, respectively (see Note 11).

Parcels of land, classified as Investment Properties, amounted to P10,573.3 million and P10,001.8 million as of December 31, 2022 and 2021, respectively (see Note 15).

(g) *Distinguishing Operating and Finance Leases for Contracts where the Group is the Lessor*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management has assessed that all of its existing lease arrangements as a lessor at the end of each reporting period qualify under operating lease.

(h) *Determining Capitalization of Borrowing Costs*

The Group determines whether borrowing costs qualify for capitalization as part of the cost of the qualifying asset, or expensed outright. The accounting treatment for the borrowing costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time to get the asset ready for its intended use. Failure to make the right judgment will result in misstatement of assets and net profit (see Notes 10, 15 and 18).

(i) *Evaluating Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and relevant disclosures thereon are presented in Note 29.

(j) *Determining Joint Control in an Arrangement and Significant Influence over an Investee*

Judgment is exercised in determining whether the Group has joint control of an arrangement or significant influence over an entity. In assessing the Group's interest in an arrangement or influence over an entity, the Group considers voting rights, representation on the BOD or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including the terms of any contractual arrangement.

The Group's interest in AHEC is accounted for as an associate even though it holds 50% ownership interest, as the Group has no control over the operating and financial policies of AHEC. Further, there is no contractually agreed sharing of control over the relevant activities of AHEC.

(k) *Distinguishing Between Business Combination and Asset Acquisition*

The Group determines whether an acquisition of an entity constitutes a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a business taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets and other accounts that could have been affected by the transaction.

Although the Group purchased shares of stock resulting in full equity ownership interest in LBDC in 2020 and 58 Jupiter in 2016, the Group assessed that under PFRS 3, the acquisition is to be accounted for as an asset acquisition since it does not constitute a purchase of a "business" (see Notes 1.2, 2.17 and 13.4). On the other hand, the Group accounted for its acquisition of ARESM in 2016 as a business combination under PFRS 3 since it represents a purchase of a "business" (see Note 1.2).

In 2021, the Group subscribed to 82.5% newly issued common shares of AGHFC. Management assessed that the acquisition of AGFHC is a combination of entities under common control. In making the assessment, management considered the composition of the stockholders of AGFHC prior to acquisition, who are also the principal stockholders of the Group. Given this assessment, the acquisition was accounted for under the pooling-of-interest method of accounting [see Note 2.3(a)(ii)].

(l) Evaluating Principal Versus Agent Consideration

The Group exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for the other party to provide those goods or services (i.e., the Group is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Group assessed that it is only acting as an agent for utility transactions of its tenants under operating leases. The amount of utility revenues and utility expenses, which were set-off against each other amounted to P122.8 million, P76.1 million and P75.9 million in 2022, 2021 and 2020, respectively, in the consolidated statements of profit or loss.

(m) Determination on Whether Lease Concessions Granted Constitute a Lease Modification

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

In making this judgment, the Group determines whether the lease concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees qualify as lease modifications since the terms and conditions under the corresponding lease contracts have been modified by the waiver.

The rent concessions granted by the Group as lessor amounted to P0.3 million and P3.6 million in 2022 and 2021, respectively.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimating Useful Lives of Property and Equipment, Investment Properties and Right-of-use Assets

The Group estimates the useful lives of property and equipment, investment properties (except for land) and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment properties and right-of-use assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, investment properties and right-of-use assets are analyzed in Notes 14, 15 and 16, respectively. Based on management's assessment, there is no change in the estimated useful lives of those assets in 2022 and 2021. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) Determining Net Realizable Value of Land and Land Development Costs

In determining the net realizable value of land and land development costs, management takes into account the most reliable evidence such as the comparable price of recent sale of adjacent properties and appraisal of the asset available at the time the estimate is made. Changes in the sources of estimation may cause significant adjustments to the carrying amount of the Group's land and land development costs within the next reporting period.

As indicated in Note 11, management assessed that the net realizable values of its land and land development costs is higher than its cost; hence, those assets are carried at cost as of the end of the reporting periods.

(d) Determining Net Realizable Value of Property Development Costs

In determining the net realizable value of property development costs, management takes into account the most reliable evidence available at the time the estimates are made. The future realization of the carrying amounts of property development costs is affected by price changes for the cost to complete, and upon completion, the selling prices in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the carrying amounts of the Group's property development costs within the next reporting period.

As more fully discussed in Note 10, management assessed that the net realizable values of its property development costs is higher than its cost; hence, those assets are carried at cost as of the end of the reporting periods.

(e) Determining Principal Assumptions for Management's Estimation of Fair Value of Investment Properties

Investment properties are measured using the cost model, however, the financial reporting standard requires the disclosure of its fair value. In determining the fair value of these assets, the Group engaged the services of professional and independent appraisers applying the relevant valuation methodologies. The fair value disclosed in the consolidated financial statements is determined using the:

- Market approach for land based on information on current or recent transaction prices for 2022 and 2021; and,

- Cost approach based on consideration of the cost to reproduce or replace the buildings and improvements to its service capacity in accordance with current market prices for similar assets less depreciation for 2022 and 2021.

The Group determined that the cost approach for buildings and improvements more appropriately reflects the highest and best use of the property based on market conditions and development. The Group consistently uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair values of investment properties as of December 31, 2022 and 2021 are disclosed in Note 15 while the relevant valuation methodology and fair value hierarchy are disclosed in Note 7.4.

(f) Estimating Probability of Collection for Revenue Recognition

The Group exercises judgment in evaluating the probability of collection (as one of the gating criteria) of transaction price on customer or counterparty contracts wherein revenue is recognized over time or specific point in time. The Group uses historical payment pattern of customers and counterparties in establishing a percentage of collection threshold, or in some instances, when the Group is certain that the sale or contract will not be cancelled (i.e., considering financial capacity, credit worthiness, and business interests of the customer or counterparty) even if the collection is below such threshold but which the Group determines that collection of the transaction price is reasonably assured.

The percentage benchmark used by the Group in determining whether collection of the transaction price is reasonably assured is 20% collection of the total contract price for sale of condominium units and 25% collection of the total contract price for sale of raw land. Management believes that the established collection thresholds are appropriate based on the collection history and credit worthiness of customers in each revenue segment. Buyer's interest in the property (i.e., condominium unit or raw land) is considered to have vested when the payment of the applicable percentage benchmark of the contract price has been received from the buyer and the Group has ascertained the buyer's commitment and ability to complete the payment of the total contract price.

The related revenues recognized by the Group are presented as Construction contracts, Sale of condominium units and Sale of land under the Revenues account in the consolidated statements of profit or loss.

(g) Determining Percentage-of-Completion for Real Estate Transactions

In determining the amount of revenue to be recognized for real estate transactions involving sale of condominium units wherein performance obligations are satisfied over time, the Group measures progress based on the input method that measures the percentage of total costs incurred to date over the estimated costs to complete the projects. The Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and applies changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

The Group recognized revenues from sale of condominium units amounting to P1,250.7 million, P615.4 million and P749.3 million in 2022, 2021, and 2020, respectively, and is presented as Sale of condominium units under Revenues account in the consolidated statements of profit or loss (see Note 4.6).

(h) Determining Percentage-of-Completion for Construction Contracts

The Group also recognizes its revenue from construction contracts based on percentage-of-completion method of the project whereby the performance obligations are satisfied over time. The Group's application of the percentage-of-completion method is based on its efforts or inputs (i.e., actual costs incurred) to the satisfaction of a performance obligation relative to the total expected construction costs. Review of the benchmarks set by management necessary for the determination of percentage-of-completion is done regularly. Actual data is being compared to the related benchmarks and critical judgment is exercised to assess the reliability of the percentage of completion procedures which are currently in place and make the necessary revisions in the light of current progress.

(i) Determining the Amount of Costs Incurred to Obtain or Fulfill a Contract with Customers

In determining the amount of costs to obtain a contract that should be capitalized, the Group identifies those costs that would have not been incurred if the contract had not been obtained. The carrying amount, net of subsequent amortization, of costs incurred to obtain the contracts with customers (or counterparties) relating to the sale of condominium units is presented as part of Contract acquisition costs under Other Current Assets account in the consolidated statements of financial position as the related project which they relate to is expected to be completed in the next reporting period (see Notes 6 and 17).

For the costs incurred in fulfilling a contract, the Group recognizes an asset only if those costs related directly to a contract or to an anticipated contract can be specifically identified; those costs generate or enhance the Group's resources that will be used in satisfying performance obligation in the future; and, the Group expects those costs to be recovered.

(j) *Estimating Allowance for ECL*

The measurement of the allowance for ECL is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers/counterparties defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 5.2(b).

Based on management's assessment, the outstanding balances of receivables, net of outstanding allowance, and contract asset as of December 31, 2022 and 2021 are fully collectible (see Notes 9 and 10).

(k) *Determining the Fair Value of Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVTPL and FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Notes 12 and 17.2, respectively.

(l) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Management assessed that the deferred tax assets as of December 31, 2022 and 2021, will be fully utilized as it is expecting sufficient taxable profits against which the deferred tax assets can be applied (see Note 25).

(m) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.21). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's evaluation, there is no impairment losses required to be recognized on the Group's non-financial assets in 2022, 2021 and 2020.

(n) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 24.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used on estimating such obligation are presented in Note 24.2.

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 years ended December 31, 2022 and, 2021 and 2020 (in thousands):

	Rentals			Construction			Sale of Land and Condominium Units			Total		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020
REVENUES												
Sales to external customers	**P 2,173,884**	P 1,992,192	P 1,960,266	**P 8,036**	P 51,509	P 24,802	**P 2,038,345**	P 1,403,012	P 749,297	**P 4,220,265**	P 3,446,713	P 2,734,365
Intersegment sales	**156,920**	185,843	187,278	**187,141**	509,085	816,385	**124,995**	120,710	-	**469,056**	815,638	1,003,663
Total revenues	**2,330,804**	2,178,035	2,147,544	**195,177**	560,594	841,187	**2,163,340**	1,523,722	749,297	**4,689,321**	4,262,351	3,738,028
COSTS AND OTHER OPERATING EXPENSES												
Cost of sales and services excluding depreciation and amortization	**184,866**	158,007	128,264	**6,955**	39,719	16,249	**591,614**	282,801	409,473	**783,435**	480,527	553,986
Depreciation and amortization	**191,450**	117,826	107,728	**-**	-	124	**-**	-	-	**191,450**	117,826	107,852
Other expenses – net	**124,116**	118,135	37,681	**6,095**	15,061	12,462	**72,373**	13,108	65,232	**202,584**	146,304	116,667
	500,432	393,968	273,673	**13,050**	54,780	28,835	**663,987**	295,909	474,705	**1,177,469**	744,657	778,505
INTEREST EXPENSE ON LEASE LIABILITIES	**42,023**	20,455	12,426	**-**	-	-	**-**	-	-	**42,023**	20,455	12,426
SEGMENT OPERATING PROFIT (after interest expense on lease liabilities)	**P 1,788,349**	P 1,763,612	P 1,861,445	**P 182,127**	P 505,814	P 812,352	**P 1,499,353**	P 1,227,813	P 274,592	**P 3,469,829**	P 3,497,239	P 2,947,097

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

	Rentals		Construction		Sale of Land and Condominium Units		Total	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities	Total Assets	Total Liabilities	Total Assets	Total Liabilities
December 31, 2022	**P 30,343,341**	**P 12,364,600**	**P 6,082,372**	**P 589,529**	**P 8,363,181**	**P 3,043,255**	**P 44,788,894**	**P 15,997,384**
December 31, 2021	P 29,819,979	P 11,716,325	P 3,995,652	P 668,336	P 8,338,685	P 3,320,733	P 42,154,316	P 15,705,393

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

In 2022, 2021 and 2020, rental revenues from a single lessee account for 17.40%, 21.30% and 26.85%, respectively, or P734.2 million each year, of the consolidated revenues. In 2022 and 2021, revenues from sale of land are generated from a single customer, and which account for 18.66% or P787.6 million and 22.85% or P787.6 million of the consolidated revenues, respectively. There were no revenues from sale of land in 2020.

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 consolidated financial statements are as follows (in thousands):

	2022	2021	2020
Revenues			
Total segment revenues	**P 4,689,321**	P 4,262,351	P 3,738,028
Elimination of intersegment revenues	**(469,056)**	(815,638)	(1,003,663)
Revenues as reported in the consolidated statements of profit or loss	**P 4,220,265**	P 3,446,713	P 2,734,365
Profit or loss			
Segment operating profit *(after interest expense on lease liabilities)*	**P 3,469,829**	P 3,497,239	P 2,947,097
Elimination of intersegment revenues	**(469,057)**	(815,638)	(1,003,663)
Other unallocated operating expenses – net	**(315,132)**	(215,685)	(248,522)
Other unallocated income (charges):			
Finance income	**56,428**	16,007	91,468
Finance costs	**(23,818)**	(33,791)	(28,636)
Share in net earnings of associates and joint ventures	**11,023**	29,721	26,014
Dividend income	**2,940**	3,034	2,940
Other income*	**-**	-	1,000,000
Profit before tax as reported in the consolidated statements of profit or loss	**P 2,732,213**	P 2,480,887	P 2,786,698

**Other unallocated income pertains to the income from reversal of advances from a co-joint venturer in 2020.*

		2022		2021
Assets				
Segment assets	**P**	**44,788,894**	P	42,154,316
Deferred tax assets – net		**573**		98,758
Other unallocated assets**		**6,359,150**		6,353,570
Elimination of intercompany accounts		**(12,504,084)**		(11,623,161)
Total assets reported in consolidated statements of financial position	**P**	**38,644,533**	P	36,983,483
Liabilities				
Segment liabilities	**P**	**15,997,384**	P	15,705,393
Deferred tax liabilities – net		**1,113,471**		989,064
Other unallocated liabilities**		**587,274**		540,334
Elimination of intercompany accounts		**(5,226,812)**		(4,475,486)
Total liabilities as reported in consolidated statements of financial position	**P**	**12,471,317**	P	12,759,305

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

4.6 *Disaggregation of Revenue from Contracts with Customers and Other Counterparties*

When the Group prepares its investor presentations and when the Group's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Notes 4.1 and 4.4.

The Group determines that the categories used in the investor presentations and financial reports used by the Group's Executive Committee can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties [except for rentals accounted for under PFRS 16 and disclosed herein as additional information] into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown in the succeeding page.

	Segment Revenues (Sales to External Customers)				**Other Unallocated Income**		
	Rentals and others	Construction	Sale of land	Sale of condominium units	Reversal of advances (see Note 13)	Rendering of administrative services	Total
December 31, 2022:							
Lease	P1,818,420,830	P -	P -	P -	P -	P -	P1,818,420,830
Over time	355,463,327	8,036,115	-	1,250,744,538	-	40,277,785	1,654,521,765
Point in time	-	-	787,600,000	-	-	-	787,600,000
Short-term	-	8,036,115	787,600,000	-	-	40,277,785	835,913,900
Long-term	2,173,884,157	-	-	1,250,744,538	-	-	3,424,628,695
December 31, 2021:							
Lease	P1,778,975,620	P -	P -	P -	P -	P -	P1,778,975,620
Over time	213,216,218	51,509,315	-	615,411,761	-	38,734,452	918,871,746
Point in time	-	-	787,600,000	-	-	-	787,600,000
Short-term	-	51,509,315	787,600,000	-	-	38,734,452	877,843,767
Long-term	1,992,191,838	-	-	615,411,761	-	-	2,607,603,599
December 31, 2020:							
Lease	P1,787,575,242	P -	P -	P -	P -	P -	P1,787,575,242
Over time	172,690,275	24,802,115	-	749,297,294	-	34,581,021	981,370,705
Out of scope	-	-	-	-	1,000,000,000	-	1,000,000,000
Short-term	-	24,802,115	-	-	1,000,000,000	34,581,021	1,059,383,136
Long-term	1,960,265,517	-	-	749,297,294	-	-	2,709,562,811

Additional information not included above is the other income aggregating to P39.9 million, P19.9 million and P66.6 million in 2022, 2021 and 2020, respectively, that are considered by management insignificant to the Group's disaggregation information of revenues (see Note 22.3). On the other hand, the other income representing the derecognition of certain advances from a co-joint venturer is not covered by PFRS 15.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 6. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

5.1 *Market Risk*

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine peso, its functional currency. The Group also holds United States (U.S.) dollar and European Union (Euro) denominated cash and cash equivalents. The Group does not have any financial liabilities denominated in foreign currency.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets, translated into Philippine peso at the closing rate, are as follows:

	2022		2021	
	U.S. Dollar	**Euro**	U.S. Dollar	Euro
Financial assets	**P 29,764,926**	**P 9,322,435**	P 28,509,938	P 9,322,435

The following table illustrates the sensitivity of the Group's profit before tax and equity in 2022 and 2021 with respect to changes in the exchange rates of Philippine peso against foreign currencies. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months prior to the end of the reporting period at a 99% confidence level.

	2022		
	Reasonably possible change in rate	**Effect in profit before tax**	**Effect in equity**
U.S. Dollar	+/-18.94%	**P 5,637,477**	**P 4,228,108**
Euro	+/-28.89%	**2,693,251**	**2,019,938**
Total		**P 8,330,728**	**P 6,248,046**

	2021		
	Reasonably possible change in rate	Effect in profit before tax	Effect in equity
U.S. Dollar	+/-11.30%	P 3,221,623	P 2,416,217
Euro	+/-19.91%	1,856,097	1,392,073
Total		P 5,077,720	P 3,808,290

If the Philippine peso had strengthened against the U.S. dollar and Euro, with all other variables held constant, the Group's profit before tax and equity would have been lower by P8.3 million and P6.2 million, respectively, in 2022 and P5.1 million and P3.8 million, respectively, in 2021. Conversely, if the Philippine peso had weakened against the U.S. dollar and Euro by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2022 and 2021 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. As at December 31, 2022 and 2021, the Group is exposed to changes in market interest rates affecting the cash flows from cash and cash equivalents and certain interest-bearing loans and borrowings which are subject to variable interest rates (see Notes 8 and 18). All other financial assets and financial liabilities have fixed rates or are noninterest-bearing.

Interest-bearing loans and borrowings, cash and cash equivalents which are subject to repricing are tested on a reasonably possible change (weighted average) of +/1.88% and +/0.97% Philippine peso in 2022 and 2021, respectively. On the other hand, the Group's exposure to foreign currency interest rate is insignificant. The percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with the effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P90.5 million and +/-P20.1 million in 2022 and 2021, respectively.

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value. The Group manages exposures to price risk by monitoring the changes in the market price of the investments (see Note 7.2) and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

5.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, arising from granting loans and receivables to customers, including related parties, and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of revenues, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized in the succeeding page.

	Notes	2022	2021
Cash and cash equivalents	8	**P 5,594,474,547**	P 5,665,952,194
Receivables – net *(except for Advances to suppliers and Advances to officers and employees)*	9	**6,603,299,122**	6,722,609,928
Contract asset	10	**820,332,770**	144,091,769
Refundable deposits *(presented as part of Other Non-current Assets)*	17	**35,844,973**	32,340,519
		P13,053,951,412	P12,564,994,410

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents, rental receivables and contract receivables as described below and in the succeeding pages.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents are considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in cash and cash equivalents are cash in banks which is secured by a maximum coverage of P0.5 million for every depositor per banking institution, as provided for under Republic Act (R.A.) No. 9302, *Charter of Philippine Deposit Insurance Corporation*, which is also subjected to credit risk.

(b) Trade and Other Receivables and Contract Asset

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all non-related party receivables and contract asset.

To measure the expected credit losses, receivables and contract asset have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables.

The expected loss rates are based on the payment profiles of revenues over a period of 36 months before December 31, 2022 and 2021, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified interest rates to be the most relevant factor during the reporting periods, and accordingly adjusts the historical loss rates based on expected changes in these factors.

ECL for advances to related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties. Management assessed that portion of the outstanding receivables from certain related parties as of December 31, 2022 and 2021 are not fully recoverable since these related parties do not have enough capacity to pay the advances and loans upon demand.

The Group has not identified any significant risks in the remaining advances to related parties since the Group, whose credit risks for liquid funds are considered negligible, have committed to financially support these related parties as part of the its long-term corporate strategy.

The Group identifies a default when the receivables become credit impaired or when the customer has not been able to settle the receivables beyond the normal credit terms of 45 to 90 days, depending on the terms with the customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Group considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

Large portion of the Group's receivables pertains to rental receivables from leasing operations to third parties, advances to related parties which are secured by an undertaking of another related party to pay in case of default, and contract receivables from the Philippine Reclamation Authority (PRA) related to various implementing agreements under the memorandum of agreement (MOA) entered into by the Group in relation to the reclamation and development of Aseana Business Park (ABP), which is also part of the Aseana City (see Notes 9.1, 9.2, 9.3 and 9.4). On July 15, 2015, the PRA's BOD approved the conveyance of certain properties to the Group in settlement of PRA's liabilities related to various implementing agreements entered into with the Group. As of December 31, 2022, the title to the properties are not yet transferred to the Group. Except for rental receivables from various and diversified profile of third party tenants, this makes the Group exposed to significant credit risk exposure to a single group of counterparties having similar characteristics.

The Group's rental receivables are secured to the extent of advance rentals and security deposits received from lessees. Further, in case of delay in collection of rentals form lessees, the Group imposes penalties pursuant to its standard lease agreements.

The Contract Asset account is secured to the extent of the fair value of the condominium units sold (i.e., based on current prices less estimated cost to sell) since the title to the real estate properties remains with the Group until the contract assets are fully collected. The fair value of the condominium units sold is usually higher than the carrying value of the related contract asset, hence, there is no expected loss given default on the contract asset.

With respect to refundable deposits, management assessed that these financial assets have low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit ratings) that sustain the operation of Aseana City and other related projects.

The estimated fair value of collaterals held against contract asset and rental receivables are presented below.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure
December 31, 2022			
Contract asset	P 820,332,770	P 2,991,809,157	P -
Rental receivables *(excluding rental receivables arising from PFRS 16 adjustments)*	86,722,542	537,682,161	-
	P 907,055,312	**P 3,529,491,318**	**P -**
December 31, 2021			
Contract asset	P 144,091,769	P 1,332,275,890	P -
Rental receivables *(excluding rental receivables arising from PFRS 16 adjustments)*	98,916,201	408,086,738	-
	P 243,007,970	P 1,740,362,628	P -

Based on the foregoing considerations and analyses, the loss allowance as at December 31, 2022 and 2021 for non-related party receivables was determined based on months past due while loss allowance for related party receivables is based on capacity to pay. The loss allowance provided by the Group are summarized as follows:

	0-30 days	31-60 days	61-90 days	Over 90 days	Total
December 31, 2022					
Expected credit loss rate					
Land sale receivable	P 49,225,000	P -	P -	P -	P 49,225,000
Loss allowance	-	-	-	-	-
Expected credit loss rate	-	*2.80%*	*31.21%*	*33.24%*	
Rental and other receivables	P 31,626,213	P 22,517,480	P 8,375,275	P 28,962,765	P 91,481,732
Loss allowance	-	631,357	2,614,038	9,628,067	12,873,462
Expected credit loss rate	-	-	-	*4.15%*	
Contract and retention receivable	P -	P 2,178,520	P -	P 648,342,784	P 650,521,304
Loss allowance	-	-	-	26,875,062	26,875,062
Expected credit loss rate	-	-	-	*3.23%*	
Advances to related parties	P -	P -	P -	P 770,362,674	P 770,362,674
Loss allowance	-	-	-	24,888,317	24,888,317
December 31, 2021					
Expected credit loss rate					
Land sale receivable	P 590,700,000	P -	P -	P -	P 590,700,000
Loss allowance	-	-	-	-	-
Expected credit loss rate	-	*2.72%*	*27.61%*	*56.63%*	
Rental and other receivables	P 20,624,277	P 53,287,022	P 4,776,660	P 23,452,399	P 102,140,358
Loss allowance	-	1,449,890	1,318,679	13,281,375	16,049,944
Expected credit loss rate	-	-	-	*3.77%*	
Contract and retention receivable	P -	P 6,041,629	P 36,421,008	P 628,526,504	P 670,989,141
Loss allowance	-	-	-	23,698,580	23,698,580
Expected credit loss rate	-	-	-	*1.95%*	
Advances to related parties	P -	P -	P -	P 808,358,847	P 808,358,847
Loss allowance	-	-	-	15,739,101	15,739,101

A reconciliation of the allowance for impairment for trade and receivables and advances to related parties as at December 31, 2022 and 2021 is presented below (see Note 9):

	December 31, 2022		December 31, 2021	
	Trade and other receivables*	**Advances to related parties**	Trade and other receivables*	Advances to related parties
Balance at beginning of year	**P 39,748,524**	**P 15,739,101**	P 41,638,180	P 17,017,700
Additional ECL	**16,373,758**	**9,149,216**	-	-
Reversal	**-**	**-**	(1,889,656)	(1,278,599)
Balance at end of year	**P 56,122,282**	**P 24,888,317**	P 39,748,524	P 15,739,101

**Excluding advances to related parties*

In 2021, the Group reversed a portion of its allowance for impairment on certain advances to a related party due to partial collection and substantial improvement of the related party's financial condition and operations (see Note 26.1).

The additional ECL in 2022 is presented as Impairment loss on financial assets, while the reversal of impairment loss on financial assets, net of direct write off in 2021 and 2020, is presented as Reversal of impairment loss on financial assets – net in the consolidated statements of profit or loss, respectively (see Notes 22.3 and 23).

5.3 Liquidity Risk

Liquidity risk is the risk that cash may not be available to meet operating requirements and to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

As of December 31, 2022 and 2021, the Group's financial liabilities (excluding lease liabilities – see Note 16) have contractual maturities as follows:

	Notes	Current: Upon Demand/ Within 6 months	Current: 6 to 12 Months	Non-current: 1 to 5 Years
December 31, 2022				
Loans and borrowings	18	P 96,711,221	P 1,379,144,926	P 1,915,276,557
Trade and other payables (*except tax liabilities*)	19	652,701,779	651,026,355	-
Advances from and due to related parties	26.2	4,060,258,654	-	-
Rental deposits	20	-	5,523,562	276,281,709
Construction bond	20	-	57,434,383	-
		P 4,809,671,654	**P 2,093,129,226**	**P 2,191,558,266**
December 31, 2021				
Loans and borrowings	18	P 115,041,915	P 1,087,849,629	P 2,380,384,790
Trade and other payables (*except tax liabilities*)	19	618,732,925	639,412,323	-
Advances from and due to related parties	26.2	4,034,868,945	-	-
Rental deposits	20	-	32,307,530	256,222,831
Construction bond	20	-	36,825,167	-
		P 4,768,643,785	P 1,796,394,649	P 2,636,607,621

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

5.4 Concentration risks

The Group is subject to risk incidental to the operation of its investment properties, which include among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from lessees due to bankruptcy or insolvency of lessees. A significant portion of the Group's rental income is derived from a single counterparty and these properties are leased long-term for administrative purpose (see Note 4.4). Failure of the Group to renew the contract or collect from the lessee may significantly impact the Group's financial statements.

To mitigate these risks, the Group requires security deposits amounting to P50.0 million. The existing lease term is also for 45 years, with stipulated escalation clauses yearly to cover fluctuations of market prices. Additionally, the Group's subject investment properties are situated in favorable prime locations which are optimal for their lessee's core operations, including supply chain management.

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Values and Fair Values by Category

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown in the succeeding page.

	Notes	2022 Carrying Values	2022 Fair Values	2021 Carrying Values	2021 Fair Values
Financial Assets					
At amortized cost:					
Cash and cash equivalents	8	**P 5,594,474,547**	**P 5,594,474,547**	P 5,665,952,194	P 5,665,952,194
Receivables – net	9	**6,603,299,122**	**6,455,657,604**	6,722,609,928	6,589,860,151
Refundable deposits (*presented as part of Other Non-current assets*)	17	**35,844,973**	**35,844,973**	32,340,519	32,340,519
		12,233,618,642	**12,085,977,124**	12,420,902,641	12,288,152,864
At FVTPL	12	**58,615,790**	**58,615,790**	58,888,290	58,888,290
At FVOCI	17.2	**42,520,190**	**42,520,190**	42,178,662	42,178,662
		P12,334,754,622	**P12,187,113,104**	P12,521,969,593	P 12,389,219,816
Financial Liabilities					
At amortized cost:					
Loans and borrowings	18	**P 3,181,500,000**	**P 3,169,534,196**	P 3,282,350,000	P 3,254,904,746
Trade and other payables	19	**1,303,728,134**	**1,303,728,134**	1,258,145,248	1,258,145,248
Advances from and due to related parties	26.2	**4,060,258,654**	**4,060,258,654**	4,034,868,945	4,034,868,945
Rental deposits	20	**281,805,271**	**281,805,271**	288,530,361	288,530,361
Construction bond	20	**57,434,383**	**57,434,383**	36,825,167	36,825,167
Lease liabilities	16.2	**524,528,916**	**524,528,916**	534,035,912	534,035,912
		P 9,409,255,358	**P 9,397,289,554**	P 9,434,755,633	P 9,407,310,379

See Notes 2.4 and 2.10 for a description of the accounting policies for financial assets and financial liabilities, respectively, including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 5.

6.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments as of December 31, 2022 and 2021 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval of both parties' BODs and stockholders or upon instruction by the Ultimate Parent Company.

Advances to related parties under Receivables account in the consolidated statements of financial position can be offset by the amount of outstanding Advances from and Due to a Related Parties account.

For rental receivables and security deposits, each party of the lease agreement will have the option to settle such amount on a net basis in the event of default of the other party.

	Notes	Gross amounts recognized in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position	Net amount
Advances to related parties:	26.1			
December 31, 2022		**P 770,362,673**	**(P 485,006,512)**	**P 285,356,161**
December 31, 2021		P 808,358,847	(P 473,211,213)	P 335,147,634
Advances from and due to related parties:	26.2			
December 31, 2022		**P 4,060,258,657**	**(P 485,006,512)**	**P 3,575,252,145**
December 31, 2021		P 4,034,868,945	(P 473,211,213)	P 3,561,657,732
Rental receivables:	9.1, 20			
December 31, 2022		**P 86,722,542**	**(P 86,722,542)**	**P -**
December 31, 2021		P 98,916,201	(P 89,213,574)	P 9,702,627
Security deposits:	9.1, 20			
December 31, 2022		**P 168,696,156**	**(P 85,722,542)**	**P 82,973,614**
December 31, 2021		P 364,610,546	(P 89,213,574)	P 275,396,972

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 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 does 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.

7.2 Financial Instruments Measurement at Fair Value

The Group's financial assets at 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 regular trading activities among market participants at the end or close to the end of the reporting period. Moreover, the 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 net asset value approach by reference to the fair value of its assets and liabilities.

With respect to financial assets at FVTPL which include investments in equity securities, these are categorized under Level 1 as their prices are quoted in active market. On the other hand, the debt security issued by a private company is not quoted in an active market, hence, the fair value is determined in reference to the current market value of another instrument which is substantially the same after taking into account the related risk of counterparties. The debt security is included in Level 2.

As of December 31, 2022 and 2021, the Group's financial assets at FVOCI measured at fair value amounted to P42.5 million and P42.2 million, respectively (see Note 17.2) while the Group's financial assets at FVTPL measured at fair value amounted to P58.6 million and P58.9 million, respectively (see Note 12).

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

There were no transfers between Levels 1 and 2 but there were changes in the carrying amount of Level 3 instruments in both years. Unrealized fair value gain and unrealized fair value loss amounting to P0.3 million and P7.5 million, respectively, is recognized on financial assets at FVOCI in 2022 and 2021 (see Note 17).

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

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

	Notes	December 31, 2022 Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and cash equivalents	8	P 5,594,474,547	P -	P -	P 5,594,474,547
Receivables – net	9	-	-	6,455,657,604	6,455,657,604
Refundable deposits *(presented as part of Other Non-current Assets)*	17	-	-	35,844,973	35,844,973
		P 5,594,474,547	**P -**	**P 6,491,502,577**	**P 12,085,977,124**
Financial Liabilities					
Loans and borrowings	18	P -	P -	P 3,169,534,196	P 3,169,534,196
Trade and other payables	19	-	-	1,303,728,134	1,303,728,134
Advances from and due to related parties	26.2	-	-	4,060,258,654	4,060,258,654
Rental deposits	20	-	-	281,805,271	281,805,271
Construction bond	20	-	-	57,434,383	57,434,383
Lease liabilities	16.2	-	-	524,528,916	524,528,916
		P -	**P -**	**P 9,397,289,554**	**P 9,397,289,554**

	Notes	December 31, 2021 Level 1	Level 2	Level 3	Total
Financial Assets					
Cash and cash equivalents	8	P 5,665,952,194	P -	P -	P 5,665,952,194
Receivables – net	9	-	-	6,589,860,151	6,589,860,151
Refundable deposits *(presented as part of Other Non-current Assets)*	17	-	-	32,340,519	32,340,519
		P 5,665,952,194	P -	P 6,622,200,670	P 12,288,152,864
Financial Liabilities					
Loans and borrowings	18	P -	P -	P 3,254,904,746	P 3,254,904,746
Trade and other payables	19	-	-	1,258,145,248	1,258,145,248
Advances from and due to related parties	26.2	-	-	4,034,868,945	4,034,868,945
Rental deposits	20	-	-	288,530,361	288,530,361
Construction bond	20	-	-	36,825,167	36,825,167
Lease liabilities	16.2	-	-	534,035,912	534,035,912
		P -	P -	P 9,407,310,379	P 9,407,310,379

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.

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

The table shows the levels within the hierarchy of non-financial assets that are not measured at fair value but for which fair values are disclosed.

	Note	Level 1	Level 2	Level 3	Total
December 31, 2022					
Land		P -	P 141,775,555,640	P -	P141,775,555,640
Buildings and improvements		-	-	10,629,893,244	10,629,893,244
Construction in progress		-	-	3,339,151,573	3,339,151,573
	15	**P -**	**P 141,775,555,640**	**P 13,969,044,817**	**P155,744,546,458**
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 fair value of the Group's investment properties as of December 31, 2022 and 2021 are 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.

The fair values of the Group's investment properties were determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations as determined by an independent appraiser. Under this approach, when sales prices and/or actual sales transaction of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2.

The fair value is determined by the Group using the fair values of certain parcels of land adjacent to the location of the Group's investment. The fair value is based on the market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties.

(b) *Fair Value Measurement for Buildings and Improvements and Construction in Progress*

As of December 31, 2022 and 2021, the Level 3 fair value of the buildings and improvements was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties. Based on the foregoing inputs, the actual cost incurred to date recorded under Construction in Progress approximates its fair value.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2022	2021
Cash on hand and in banks	**P 2,661,084,860**	P 4,750,990,553
Short-term placements	**2,933,389,687**	914,961,641
	P 5,594,474,547	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 6.00% per annum in 2022, from 0.58% to 2.85% per annum in 2021 and from 1.00% to 5.10% per annum in 2020. Interest income from cash in banks and short-term placements amounting to P53.4 million, P14.7 million and P69.9 million in 2022, 2021 and 2020, respectively, are included as part of Interest income under Finance Income in the consolidated statements of profit or loss (see Note 22.2). Accrued interest from short-term placements is presented as part of Others under Receivables account in the consolidated statements of financial position (see Note 9).

9. RECEIVABLES

This account is composed of the following:

	Notes	**2022**	2021
Current:			
Rental receivables	9.1	**P 843,440,913**	P 778,904,739
Advances to:	9.2		
Related parties	26.1	**770,362,674**	808,358,847
Suppliers		**400,159,593**	504,311,073
Officers and employees		**11,216,332**	11,878,006
Contracts receivables	9.3, 26.5	**643,515,626**	659,179,521
Receivable from sale of land		**49,255,000**	590,700,000
Retention receivables	9.4	**7,005,678**	11,809,620
Others	8, 9.5, 12	**4,759,191**	3,544,286
		2,729,715,007	3,368,686,092
Allowance for impairment	5.2(b)	**(81,010,599)**	(55,487,625)
		2,648,704,408	3,313,198,467
Non-current –			
Rental receivables	9.1	**4,365,970,639**	3,925,600,540
		P 7,014,675,047	P 7,238,799,007

Receivables do not bear any interest. All receivables (except advances to suppliers) are subject to credit risk exposures (see Note 5.2).

9.1 Rental Receivables

Rental receivables represent uncollected monthly receivables from third party tenants of the Group. This includes rent receivables arising from the application of PFRS 16, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods. Rent receivables from PFRS 16 adjustments amounted to P5,122.7 million and P4,614.7 million as of December 31, 2022 and 2021, respectively.

9.2 Advances

Except for certain advances which are secured by an undertaking of another related party to pay in case of default, advances to related parties are unsecured, noninterest-bearing and are granted for working capital requirements (see Note 26.1). There are no definite repayment and settlement term on these advances.

Advances to suppliers under Receivables pertain to mobilization funds provided to various suppliers for use primarily in the construction and development of the Group's residential condominium projects while those under Other Non-current Assets pertain to advances to suppliers for investment property additions (see Notes 10, 15 and 17). These are reduced proportionately upon receipt of progress billings from the said suppliers.

Advances to officers and employees are noninterest-bearing and collectible through liquidation, or salary deduction within 12 months from the end of the reporting period.

9.3 *Contracts Receivables*

Contracts receivables are noninterest-bearing and usually due within 270 days. Of the total outstanding balance, P557.5 million is due from PRA as of December 31, 2022 and 2021. Management believes that these receivables are fully recoverable through collection of the accounts from customers. With respect to the amount due from PRA, the receivable is recoverable in full through transfer of certain properties owned by PRA to the Group (see Note 5.2).

As of December 31, 2022 and 2021, contract receivables also include outstanding balances from a related party amounting to P8.3 million and P45.1 million, respectively (see Note 26.5).

9.4 *Retention Receivables*

The remaining retention receivables pertains to the outstanding balances with third parties of December 31, 2022 and 2021.

9.5 *Other Receivables*

Other receivables mainly include accrued interest income from short-term placements (see Note 8).

10. PROPERTY DEVELOPMENT COSTS AND CONTRACT ACCOUNTS

10.1 *Property Development Costs*

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, and borrowing costs related to the development of residential condominium projects, namely, "Pixel Residences", "MidPark Towers" and "One Parq Suites", all of which are located in Aseana City, 1702 Parañaque City, Metro Manila. As of December 31, 2022 and 2021, the Group has capital commitments relating to the remaining development costs of the real estate projects under construction and raw land for future development amounting to P2,143.2 million and P2,934.2 million, respectively.

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

	2022	2021
MidPark Residences	**P1,364,448,198**	P 1,149,570,083
Raw land	**397,831,294**	397,831,294
Pixel Residences	**4,607,253**	26,136,740
One Parq Suites	**53,716,368**	15,474,918
	P 1,820,603,113	P 1,589,013,035

Property development costs also includes capitalized borrowing costs, amortization of right-of-use asset and interest expense on lease liability amounting to P49.8 million, P5.5 million and P0.1 million, respectively, in 2022 and P24.9 million, P10.4 million and P0.7 million, respectively, in 2021 (see Note 16).

Cost of condominium units sold amounted to P535.2 million, P227.6 million, and P409.5 million in 2022, 2021 and 2020, respectively (see Notes 21.2 and 23) and are presented under Cost of Services and Sales section in the consolidated statements of profit or loss.

10.2 *Contract Accounts*

The significant changes in the contract asset and liability balances during the reporting periods are as follows:

	2022		2021	
	Contract Asset	**Contract Liability**	Contract Asset	Contract Liability
Balance at beginning of year	**P 144,091,769**	**P 452,533,480**	P 92,002,207	P 690,811,702
Increase as a result of changes in measurement of progress	**869,312,051**	**-**	140,601,941	-
Transfers from contract assets recognized at the beginning of year to trade receivables	**(193,071,050)**		(88,512,379)	
Revenue recognized that was included in contract liability at the beginning of year	**-**	**(116,571,809)**	-	(277,586,337)
Increase due to cash received excluding amount recognized as revenue during the year	**-**	**51,223,626**	-	39,308,115
Balance at end of year	**P 820,332,770**	**P 387,185,297**	P 144,091,769	P 452,533,480

Contract asset and liability is presented in the consolidated statements of financial position as at December 31, 2022 and 2021 as follows:

	2022		2021	
	Contract Asset	**Contract Liability**	Contract Asset	Contract Liability
Current	**P 199,489,733**	**P 264,578,852**	P 33,217,659	P 246,577,141
Non-current	**620,843,037**	**122,606,445**	110,874,110	205,956,339
	P 820,332,770	**P 387,185,297**	P 144,091,769	P 452,533,480

The transaction price allocated to the remaining performance obligation (unsatisfied or partially satisfied) as at December 31, 2022 and 2021 are as follows:

	2022	2021
Within one year	**P 1,812,576,068**	P 2,530,025,491
More than one year to three years	**827,408,430**	1,373,369,287
	P 2,639,984,498	P3,903,394,778

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are expected to be completed within three to five years from start of construction.

11. 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 222,323 square meters and 238,009 square meters as of December 31, 2022 and 2021, respectively.

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

	Notes	2022	2021
Balance at beginning of year		**P 2,080,156,703**	P 2,112,536,724
Development costs during the year		**107,610,053**	22,832,583
Reclassification	15	**(428,622,537)**	-
Sales during the year	23	**(55,212,604)**	(55,212,604)
Balance at end of year		**P 1,703,931,615**	P 2,080,156,703

In 2022, the Group reclassified a certain parcel of land with a total carrying amount of P428.6 million to Investment Properties due to the change in management's intention from selling such property to leasing the property, which was leased out in the same year to a third party (see Note 15).

Management has estimated that the net realizable value of Land and Land Development Costs is higher than its carrying value as of December 31, 2022 and 2021. As of December 31, 2022 and 2021, certain portion of the parcels of land owned by the Group with a total lot area of 2,777 square meters and carrying amount of P52.9 million is used as collateral to secure certain peso denominated interest-bearing loans (see Note 18). 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.

12. OTHER CURRENT ASSETS

This account consists of the following:

	Notes	2022	2021
Input VAT		**P 657,242,285**	P 531,937,236
Deferred input VAT		**655,345,025**	595,350,899
Prepayments		**138,072,948**	107,397,891
Contract acquisition costs	3.2(i)	**66,793,889**	46,548,285
Financial assets at FVTPL	7.2	**58,615,790**	58,888,290
Creditable withholding tax		**29,063,876**	27,782,939
		P 1,605,133,813	P 1,367,905,540

The Group had a short-term placement (previously presented under Other Current Assets) pertaining to a time deposit with maturity of 102 days from date of acquisition, which matured in 2020. The related interest income in 2020 amounting to P18.8 million is included as part of Interest income under Finance income account in the 2020 consolidated statements of profit or loss (see Note 22.2).

Deferred input VAT pertains to the corresponding input VAT on subcontract services, which are yet to be recognized in installments in the next reporting period.

Prepayments mostly pertain to real property taxes and other incidental business prepayments which are expected to be realized within 12 months after the end of the reporting period.

Financial assets at FVTPL consist of investments in equity and convertible debt securities which are held for trading purposes. Investment in equity securities amounted to P53.3 million and P53.6 million as of December 31, 2022 and 2021, respectively, while investment in convertible debt securities amounted to P5.3 million as of both dates. Fair value loss amounting to P0.3 million and P2.1 million in 2022 and 2021 is recognized and presented as part of Finance Costs account and fair value gain amounting to P2.8 million in 2020, is recognized and presented as part of Finance income account in the consolidated statements of profit or loss (see Note 22.1 and 22.2).

13. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

This account consists of the following:

	Note	2022	2021
Joint venture	13.3	**P 79,844,766**	P 68,715,066
Associates	13.1	**48,784,245**	48,890,928
		P 128,629,011	P 117,605,994

The Group's associates and a joint venture are all incorporated and with principal operations in the Philippines. These entities are engaged in businesses related to the Parent Company's operations.

The components of the carrying amounts of investments in associates and a joint venture are as follows:

13.1 Investments in Associates

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

	2022	2021
Acquisition costs	**P 56,913,213**	P 56,913,213
Accumulated share in net losses:		
Balance at beginning of year	**(8,022,285)**	(7,946,102)
Share in net losses	**(106,683)**	(76,183)
Balance at end of year	**(8,128,968)**	(8,022,285)
	P 48,784,245	P 48,890,928

The Group's associates include ERTI, ACBMDC and AHEC. Although AHEC is currently in the process of liquidation [see Note 1.2(u)], the Group has assessed that the Group's existing share in the net assets of AHEC exceeds the carrying amount of its investment considering that AHEC has sufficient assets, including construction equipment related to the business of the Group. Upon completion of AHEC's liquidation, management of the Group believes that the Group may obtain portion of these assets in the form of a return of invested capital.

13.2 Financial Information of Associates and Joint Ventures

There were no associates and joint venture which are considered material to the Group in 2022 and 2021.

No dividends were received from the associates and joint venture in 2022, 2021 and 2020. The associates and joint venture do not have other comprehensive income in 2022, 2021 and 2020.

These associates and joint venture are not listed in the local stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amounts of the investments are fully recoverable based on the prospect of the business of these associates and joint venture.

13.3 Investment in a Joint Venture

In 2019, the investment in ABCC classified and presented as Investment in Joint Venture Held for Termination was reclassified to Investment Properties as this pertains to the land previously transferred in exchange for ABCC's shares of stock (see Note 15). As a result of the termination of the joint venture agreement (JV Agreement) [see Note 13.3(b)], ABCC has been considered as a subsidiary starting in 2019 as the remaining shares are now all held by the Parent Company in the same year [see Note 1.2(f)]. ABCC had not commenced operations since its incorporation and only incurred real property taxes and other administrative expenses. The effect of the reclassification amounting to P80.6 million (net of P36.2 million cumulative share in net losses of ABCC) representing the deficit of ABCC was recognized as an adjustment to the Retained Earnings account in 2019.

As of the end of the reporting periods, the remaining investment in joint venture consist only of 50% investment in BRADCO.

a) BRADCO

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

	2022	2021
Acquisition costs	**P 2,000,000**	P 2,000,000
Accumulated share in net income:		
Balance at beginning of year	**66,715,066**	36,917,570
Share in net income	**11,129,700**	29,797,496
Balance at end of year	**77,844,766**	66,715,066
	P 79,844,766	P 68,715,066

On February 15, 1992, the Parent Company entered into a joint venture agreement with the Armed Forces of the Philippines Retirement and Separation Benefits System (AFPRSBS) to form BRADCO, a joint venture. The Parent Company and AFPRSBS each owns 50% interest in the joint venture.

Pursuant to the JV Agreement, the Parent Company and BRADCO entered into a construction agreement whereby the Parent Company undertook the construction of a building intended to be held for lease. The construction of the building was completed in 2015 with the accumulated costs totaling P38.6 million recognized as part of Buildings and improvements under Investment Properties account in the consolidated statements of financial position (see Note 15).

There are no significant risks, commitments, or contingencies related to the Group's interests in BRADCO during the reporting periods.

b) ABCC

On December 23, 2010, the Parent Company, WHI and Alphaland Development, Inc. (ADI) entered in a MOA whereby the Parent Company, WHI and ADI agreed to transfer certain parcels of land located in ABP in exchange for shares of stock of ABCC, the joint venture entity. While the increase in authorized capital stock of ABCC is pending approval by the SEC, the Parent Company agreed to transfer 96,751 square meters of land. Relative to this, the Parent Company recognized investment in ABCC, under a deed of assignment, representing the parcels of land contributed at the time of investment and accounted for as an investment in a joint venture.

Further, the Parent Company and WHI agreed to contribute additional parcels of land to ABCC in exchange for additional shares of stock upon transfer of ownership and control of the subject parcels of land from PRA to the Parent Company and WHI.

Likewise in 2010, the Parent Company agreed, through the MOA, to receive noninterest-bearing advances amounting to P1,000.0 million from ADI in consideration of which the Parent Company agreed to assign all its rights and interest on certain number of common shares to be issued by ABCC to the Parent Company so as to arrive at the agreed ownership structure of ABCC. Since then, the assignment has been put on hold pending the performance of certain conditions under the MOA. These advances are presented as Advances from a Co-joint Venturer account in the 2019 consolidated statement of financial position.

In 2018, the Parent Company, along with WHI and ABCC, entered into a Settlement Agreement (SA) with ADI regarding their JV Agreement, and all disputes related thereto, in relation to the development of the Alphaland Bay City project located in Aseana City. Under the SA, the parties have agreed to terminate, rescind or otherwise cancel the JV Agreement, and waive and release any and all rights or interests they, or may have arising therefrom subject to certain conditions.

Also in 2018, the Parent Company entered into a Consideration Agreement (CA) with certain third parties whereby the Parent Company was required to satisfy two performance obligations relating to the transfer of their rights provided for under a certain JV Agreement, and the provision of specific guidelines, review the compliance and undertake related activities thereto, in favor of the third parties with respect to its development project design on the parcels of land purchased by one of the third parties from ADI in Aseana City. Subject to the foregoing certain terms and conditions governing the transfer of such rights to the third parties and their ability to take full and unrestricted control over the development of the parcels of land, the Parent Company was entitled to consideration totaling to P2,050.0 million collectible in two years, which was accordingly recognized as income in 2019 and 2018 upon satisfaction of the respective performance obligations during such periods.

As part of the termination of the JV Agreement, the parties agreed to withdraw their earlier request for a tax free ruling from the BIR on the property contributions for shares in ABCC and to petition the SEC to cancel its approval of the increase in capital stock of ABCC in 2012. The approval by the SEC was obtained on December 18, 2018 whereby it ordered ABCC's capital stock to be corrected.

Management, in consultation with its external legal counsel, is of the opinion that the cancellation of the aforementioned SEC's approval on the increase in capital stock of ABCC should be accounted for retrospectively. Consequently, the Group restated its investment in ABCC in 2018 to recognize such investment amounting to P127.1 million, which is equivalent to the previous carrying value of its parcels of land amounting to P163.3 million, net of P36.2 million cumulative share in net losses of ABCC. Furthermore, the Group classified the same asset, which is lower than its fair value less cost to terminate, under the Investment in Joint Venture Held for Termination account as of December 31, 2018 as the Group intended to recover the foregoing investment in ABCC held for termination through the receipt of the previously contributed investment property within one year from the end of 2018, subject to the fulfillment of the conditions as set forth in the SA by 2019.

Pursuant to the fulfillment of the conditions in 2019 as set forth in the SA and receipt of the previously contributed investment property, the Group reclassified the Investment in Joint Venture Held for Termination account to Investment Properties account in the same year. A portion of the Investment in Joint Venture Held for Termination account amounting to P10,000 was reclassified also to Investment in Subsidiaries representing the 100% ownership of the Group in ABCC and was eliminated during consolidation in 2019.

In 2020, the Group reversed the advances from ADI amounting to P1,000.0 million upon completion of all administrative matters relating to the CA and SA in 2020 and prescription. Management, in consultation with its legal counsel, believes that full restitution of ADI was already served and no further claims against DMWAI under the JV Agreement is expected. The reversal of such advances is presented as Other Income in the 2020 consolidated statement of profit or loss (see Note 22.4).

13.4 Acquisition of Assets

On October 1, 2020, ARHC acquired 100% equity ownership interest in LBDC. Also on December 9, 2016, AHI acquired 100% equity ownership interest in 58 Jupiter. LBDC and 58 Jupiter hold investment properties representing land and building (see Note 15).

In accordance with the Group's policy (see Note 2.17), the transactions are accounted by the Group as asset acquisitions since the transactions do not constitute a business combination. The purchase price upon acquisition amounting to P630.0 million for LBDC and P160.0 million for 58 Jupiter, were allocated among the asset and liability accounts based on their relative fair values in their applicable periods.

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of LBDC and 58 Jupiter arising from its own operations shall be updated and accounted for in the books of the Group on a line-by-line basis, as if they are consolidated into a single entity. The registered office of LBDC, which is also its principal place of business, is located in Makati City. The registered office of 58 Jupiter is located in Escolta, Manila while its principal place of business is in Makati City.

13.5 Noncontrolling Interests

Noncontrolling interests pertain to the equity ownership of minority stockholders in FRDC, R-1, MLCI, AITPI, SBRI, ARESM, AGFHC and BAHI. Among these subsidiaries, only BAHI has material noncontrolling interests as follows.

Proportion of Ownership Interest and Voting Rights Held by NCI			**Subsidiary's Profit Allocated to NCI**			**Accumulated Equity of NCI**		
2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
40.02%	40.02%	40.02%	**P 21,130,165**	P 21,698,766	P 35,137,816	**P 621,041,827**	P 599,911,121	P 578,212,35

The summarized financial information of BAHI, before intragroup eliminations, is shown below. Further, dividends declared and paid to minority stockholders of BAHI is fully disclosed in Note 28.3.

	2022	2021
Non-current assets	**P 5,660,135,683**	P 5,660,135,683
Current assets	**444,584,288**	374,966,019
Total assets	**P 6,104,719,971**	P 6,035,101,702
Non-current liabilities	**P 73,595,126**	P 69,797,783
Current liabilities	**3,982,286,697**	3,969,244,784
Total liabilities	**P 4,055,881,823**	P 4,039,042,567
Equity attributable to owners of the parent	**P 1,427,796,321**	P 1,396,148,014
Non-controlling interest	**P 621,041,827**	P 599,911,121

	2022	2021	2020
Revenue	**P 87,519,336**	P 87,519,336	P 79,784,571
Profit for the year attributable to owners of the parent	**31,648,848**	32,521,040	52,662,824
Profit for the year attributable to NCI	**21,130,165**	21,698,766	35,137,816
Profit for the year	**52,779,013**	54,219,806	87,800,640
Other comprehensive income for the year (all attributable to owners of the parent)	**-**	-	-
Total comprehensive income for the year attributable to owners of the parent	**31,648,848**	32,521,040	52,662,824
Total comprehensive income for the year attributable to NCI	**21,130,165**	21,698,766	35,137,816
Total comprehensive income for the year	**P 52,779,013**	P 54,219,806	P 87,800,640
Net cash from (used in) operating activities	**P 54,087,169**	(P 27,433,912)	P 970,380,813
Net cash from (used in) investing activities	**(82,654,664)**	5,514	254,463
Net cash from (used in) financing activities	**8,751,798**	(10,050)	(926,565,225)
Net cash inflow (outflow)	**(P 19,815,697)**	(P 27,438,448)	P 44,070,051

Management determined that the difference between the respective equity ownership of minority stockholders over the equity of the aforementioned subsidiaries and the amount of NCI recognized in the consolidated statements of financial position is not material to the consolidated financial statements.

14. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation and amortization of property and equipment at the beginning and end of 2022 and 2021 are shown below.

	Land	Land Improvements	Leasehold Improvements	Machinery and Construction Equipment	Transportation Equipment	Furniture and Office Equipment	Other Equipment	Building and Improvements	Total
December 31, 2022									
Cost	P 9,291,800	P 4,034,354	P 38,370,564	P 510,482,441	P 89,867,504	P 167,504,485	P 25,247,008	P 239,649,209	P1,084,447,365
Accumulated depreciation and amortization	-	(3,700,608)	(34,489,711)	(479,114,861)	(54,568,932)	(121,550,844)	(22,841,379)	(37,944,458)	(754,210,793)
Net carrying amount	**P 9,291,800**	**P 333,746**	**P 3,880,853**	**P 31,367,580**	**P 35,298,572**	**P 45,953,641**	**P 2,405,629**	**P 201,704,751**	**P 330,236,572**
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	-	(3,435,845)	(32,957,310)	(449,863,681)	(44,815,376)	(103,738,934)	(14,062,186)	(29,956,151)	(678,829,483)
Net carrying amount	P 9,291,800	P 598,509	P 5,413,254	P 23,628,525	P 15,469,182	P 58,022,403	P 525,320	P 209,693,058	P 322,642,051
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	-	(3,171,083)	(30,853,552)	(428,654,198)	(40,766,854)	(77,808,868)	(14,060,405)	(23,964,921)	(619,279,881)
Net carrying amount	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

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 of property and equipment is shown below.

	Land	Land Improvements	Leasehold Improvements	Machinery and Construction Equipment	Transportation Equipment	Furniture and Office Equipment	Other Equipment	Building and Improvements	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 9,291,800	P 598,509	P 5,413,254	P 23,628,525	P 15,469,182	P 58,022,403	P 525,320	P 209,693,058	P 322,642,051
Additions	-	-	-	36,990,235	29,582,946	5,743,148	10,659,503	-	82,975,832
Depreciation and amortization charges for the year	-	(264,763)	(1,532,401)	(29,251,180)	(9,753,556)	(17,811,910)	(8,779,194)	(7,988,307)	(75,381,311)
Balance at December 31, 2022, net of accumulated depreciation and amortization	**P 9,291,800**	**P 333,746**	**P 3,880,853**	**P 31,367,580**	**P 35,298,572**	**P 45,953,641**	**P 2,405,629**	**P 201,704,751**	**P 330,236,572**
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)	(2,103,758)	(21,209,483)	(4,048,522)	(25,930,066)	(1,781)	(5,991,230)	(59,549,602)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 9,291,800	P 598,509	P 5,413,254	P 23,628,525	P 15,469,182	P 58,022,403	P 525,320	P 209,693,058	P 322,642,051

As of December 31, 2022, and 2021, fully depreciated assets with original costs amounting to P497.4 million and P493.6 million, respectively, are still being used in operations.

The amount of depreciation and amortization is allocated as follows:

	Notes	2022	2021	2020
General and administrative expenses	23	**P 62,260,191**	P 36,926,175	P 44,136,731
Capitalized as part of land and land development costs	2.5(a), 11	**13,121,120**	22,623,427	39,270,880
Cost of construction contracts	21.3	**-**	-	124,169
		P 75,381,311	P 59,549,602	P 83,531,780

The management believes that the carrying amount of property and equipment is recoverable in full; hence, no impairment loss is recognized in 2022, 2021 and 2020.

There are no contractual commitments for the acquisition of property and equipment as of December 31, 2022 and 2021.

15. INVESTMENT PROPERTIES

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

	Notes	2022	2021
Investment properties – net	2.18(a)	**P 18,516,389,761**	P17,056,908,137
Right-of-use assets – net	16.1	**478,590,552**	509,377,480
		P18,994,980,313	P17,566,285,617

The gross carrying amounts and the accumulated depreciation of investment properties (except Right-of-use assets, see Note 16.1) at the beginning and end of 2022 and 2021 are shown below.

	Land	Building and Improvements	Condominium Units	Construction in Progress	Total
December 31, 2022					
Cost	P 10,573,292,926	P 5,512,964,352	P 25,228,650	P 3,339,151,573	P 19,450,637,501
Accumulated depreciation	-	(926,703,718)	(7,544,022)	-	(934,247,740)
Net carrying amount	**P 10,573,292,926**	**P 4,586,260,634**	**P 17,684,628**	**P 3,339,151,573**	**P 18,516,389,761**
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	P 10,001,795,507	P 2,244,499,670	P 18,693,774	P 4,791,919,186	P 17,056,908,137
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	P 9,904,289,891	P 2,153,018,023	P 19,702,920	P 3,309,920,402	P 15,386,931,236

The reconciliation of the carrying amounts of investment properties (except Right-of-use Assets, see Note 16.1) at the beginning and end of 2022 and 2021 is shown below.

	Land	Building and Improvements	Condominium Units	Construction in Progress	Total
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	142,874,882	-	-	1,064,844,830	1,207,719,712
Reclassifications	428,622,537	2,517,612,443	-	(2,517,612,443)	428,622,537
Depreciation charges for the year	-	(175,851,479)	(1,009,146)	-	(176,860,625)
Balance at December 31, 2022, net of accumulated depreciation	**P 10,573,292,926**	**P 4,586,260,634**	**P 17,684,628**	**P 3,339,151,573**	**P 18,516,389,761**
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	P 10,001,795,507	P 2,244,499,670	P 18,693,774	P 4,791,919,186	P 17,056,908,137

The amount of depreciation is allocated as follows:

	Notes	2022	2021	2020
Cost of rentals	21.1	**P 175,851,479**	P 105,678,139	P 102,909,880
General and administrative expenses	23	**1,009,146**	1,519,303	1,009,146
	15	**P 176,860,625**	P 107,197,442	P 103,919,026

a) Building and Improvements

Building and improvements include the building of 58 Jupiter amounting to P2.9 million arising from the asset acquisition by AHI (see Note 13.4).

The Group received certain condominium unit with parking lots valued at P23.7 million as a result of a deed of exchange in 2015 (see Note 28.1). The remaining estimated useful life of these assets approximates to those applied in depreciating similar type of assets.

Construction in progress account also includes capitalized borrowing costs from interest-bearing loans partially obtained to finance the construction amounting to P55.8 million and P28.7 million in 2022 and 2021 (nil in 2020), respectively, at an average capitalization rate of 3.8% and 3.4% respectively (see Note 18).

b) Land

In 2022, the Group reclassified certain parcels of land which were previously presented under Land and Land Development Costs to Investment Properties amounting to P428.6 million (see Note 11). The reclassification resulted from the change in management use evidenced by rentals for the parcels of land in the same year.

Land also include the property owned by 58 Jupiter and LBDC amounting to P153.4 million and P630.0 million, respectively, acquired through and accounted for under asset acquisition (see Note 13.4).

c) Other Information

Land and building rental revenues recognized from investment properties amounted to P1,818.4 million, P1,779.0 million, and P1,787.6 million in 2022, 2021 and 2020, respectively, and are shown as part of Rentals under Revenues account in the consolidated statements of profit or loss. Costs incurred related to investment properties, including the depreciation, are presented as Rentals under Costs of Services and Sales account in the consolidated statements of profit or loss (see Note 21.1).

The fair value of investment properties amounted to P155,744.5 million and P142,593.0 million as of December 31, 2022 and 2021, respectively (see Note 7.4).

Management believes that the carrying amounts of investment properties are recoverable in full; hence, no impairment loss is recognized in 2022, 2021 and 2020.

Certain investment properties with carrying amount of P1,578.6 million as of December 31, 2022 and 2021, respectively, are used as collateral for certain loans with local banks (see Note 18).

There are no contractual commitments for the acquisition of investment properties as of December 31, 2022 and 2021, except for the development of the parcels of land in Aseana City (see Note 29.4).

16. LEASES

The Group leases certain parcels of land from WHI (see Note 26.3) where the Group's certain investment properties are situated. Such leases have original terms up to 30 years, and subject to escalation rate of 3% and enforceable renewal/extension options. The leases with WHI are reflected in the consolidated statements of financial position as right-of-use assets under Investment Properties [see Notes 2.18(a) and 15] and lease liabilities.

The lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. A lease is either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contract.

16.1 Right-of-use Assets

The carrying amount of the Group's right-of-use assets as at December 31 and the movements during the periods are shown below (see Note 15).

	2022	2021
Balance at beginning of year	**P 509,377,480**	P 152,548,532
Additions	**-**	379,332,201
Lease modification	**(9,665,472)**	-
Amortization	**(21,121,456)**	(22,503,253)
Balance at end of year	**P 478,590,552**	P 509,377,480

Amortization of the Group's right-of-use assets amounting to P15.6 million, P12.1 million, and P5.6 million in 2022, 2021 and 2020, respectively, is presented as part of Cost of Rentals in the consolidated statements of profit or loss (see Note 21.1) while P5.5 million and P10.4 million is capitalized in 2022 and 2021, respectively, and is presented as part of Property Development Costs in the consolidated statements of financial position (see Note 10.1).

In 2022, the Group and its lessor have agreed for a certain lease modification which resulted in the remeasurement of the right-of-use asset and lease liability (see Note 16.2). No gain or loss was recognized arising from this lease modification.

16.2 Lease Liabilities

The lease liabilities are secured by the related underlying assets. Such liabilities are presented in the consolidated statements of financial position as at December 31 as follows:

	2022	2021
Current	**P 42,581,242**	P 46,564,508
Non-current	**481,947,674**	487,471,404
	P 524,528,916	P 534,035,912

Interest expense in relation to lease liabilities amounted to P42.0 million, P20.4 million, and P12.4 million in 2022, 2021 and 2020, respectively, and is presented as part of Finance Costs in the consolidated statements of profit or loss (see Note 22.1) while P0.1 million and P0.7 million is capitalized in 2022 and 2021, respectively, and is presented as part of Property Development Costs in the consolidated statements of financial position (see Note 10.1).

The movements in the lease liabilities recognized in the consolidated statements of financial position are as follows:

	2022	2021
Balance at beginning of year	**P 534,035,912**	P 165,526,914
Additions	**-**	379,332,201
Lease modification	**(9,665,472)**	-
Interest accretion	**42,129,716**	21,181,383
Lease payments	**(41,971,240)**	(32,004,586)
Balance at end of year	**P 524,528,916**	P 534,035,912

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's business strategy and the economic benefits of exercising the option exceeds the expected overall cost. However, the Group is not potentially exposed to future cash outflows relating to its existing lease with WHI as it does not require any termination fee and similarly has no advance rentals or lease deposit that would be forfeited in case of termination.

As of December 31, 2022 and 2021, the Group has no commitments for leases (as lessee) entered into but which had not commenced.

The maturity analysis of lease liabilities as at December 31, 2022 and 2021 are as follows:

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**	**Total**
December 31, 2022							
Lease payments	P 42,581,242	P 37,986,832	P 38,716,051	P 39,785,639	P 40,551,587	P1,233,706,401	P1,433,327,752
Finance charge	(41,004,263)	(41,315,244)	(41,551,551)	(41,760,924)	(41,885,096)	(701,281,758)	(908,798,836)
Net present values	**P 1,576,979**	**(P 3,328,412)**	**(P 2,835,500)**	**(P 1,975,285)**	**(P 1,333,509)**	**P 532,424,643**	**P 524,528,916**
December 31, 2021							
Lease payments	P 46,564,508	P 47,547,307	P 37,986,832	P 38,716,051	P 39,785,639	P1,274,863,620	P1,485,463,957
Finance charge	(40,674,001)	(41,004,264)	(41,315,244)	(41,551,551)	(41,760,924)	(745,122,061)	(951,428,045)
Net present values	P 5,890,507	P 6,543,043	(P 3,328,412)	(P 2,835,500)	(P 1,975,285)	P 529,741,559	P 534,035,912

16.3 Other Information

The Group has elected not to recognize a lease liability for any applicable low value assets and short-term leases. Payments made under such leases are expensed on straight-line basis.

Consequently, low value leases amounting to P0.9 million, P0.8 million, and P0.7 million, in 2022, 2021 and 2020, respectively, is presented as part of Others under General and Administrative account in the consolidated statements of profit or loss (see Note 23). On the other hand, the Group has no short-term leases.

17. OTHER NON-CURRENT ASSETS

This account includes the following:

	Notes	2022	2021
Advances to suppliers	9.2	**P 367,804,209**	P 535,847,581
Project advances	17.3	**119,070,674**	118,771,204
Deposits for future investment	17.1	**54,026,935**	54,026,935
Financial assets at FVOCI	17.2	**42,520,190**	42,178,662
Refundable deposits	17.4	**35,844,973**	32,340,519
Others		**11,695,851**	9,108,912
		P 630,962,832	P 792,273,813

17.1 Deposits for Future Investment

Included in the deposits for future investment as of December 31, 2022 and 2021 are deposits totaling to P20.5 million made by the Group to acquire certain properties. While the title of the properties are not yet transferred to the Group, management remains committed to purchase the properties as of December 31, 2022 and 2021.

This account also includes deposits made by the Group to third party landowners of certain parcels of land located in Romblon under a joint agreement to develop the property. The Group is entitled to an irrevocable and exclusive option to purchase the property from the landowners. In case the Group exercises the said option, the total amount from which the landowners have received the deposits shall form part of the total purchase price; otherwise, whatever amount of deposits received by the landowners shall be forfeited in favor of the latter. The project development over the land is yet to commence as of the date of issuance of the consolidated financial statements as necessary documentations are still being processed; however, the Group remains committed under the joint agreement. As of both December 31, 2022 and 2021, the deposits made by the Group amounted to P13.7 million.

The total amount of commitment to purchase these properties approximates the amount of deposits as of December 31, 2022 and 2021.

17.2 Financial Assets at Fair Value Through Other Comprehensive Income

As of December 31, financial assets at FVOCI is composed of the following:

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

	Note	2022	2021
Balance at beginning of year		**P 42,178,662**	P 49,670,827
Unrealized fair value gains (losses)	28.2	**341,528**	(7,492,165)
Balance at end of year		**P 42,520,190**	P 42,178,662

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 (see Note 7.2).

As of December 31, financial assets at FVOCI is composed of the following:

	2022	2021
Unquoted equity securities	**P 38,945,190**	P 38,603,662
Golf club shares	**3,575,000**	3,575,000
	P 42,520,190	P 42,178,662

Fair value gains and losses recognized on these Financial assets at FVOCI are shown as part of Other Comprehensive Income (Loss) in the consolidated statements of comprehensive income which formed part of the balance of revaluation reserves on financial assets at FVOCI presented as part of Revaluation Reserves under the equity section of the consolidated statements of financial position (see Note 28.2).

17.3 Project Advances

Project advances significantly pertain to a Contract of Reclamation entered into in prior years with the City of Mandaue, Cebu. In 2018, the Construction Industry Arbitration Commission issued the Writ of Execution ordering the City of Mandaue to honor the Contract of Reclamation, and the parties to comply with their reciprocal obligations therein, without prejudice to the parties agreeing to alternative reclamation sites to avoid further delay in the implementation of the contract.

The Group may opt to be paid either in the form of land or cash proceeds from the sale of land to be reclaimed. As of December 31, 2022 and 2021, the project has not commenced but the Group has assessed that the amount of project advances are collectible in the form of land is recoverable in full.

There are other projects with similar nature and circumstances (i.e., feasibility and/or pre-development stages) with the Philippine government and other counterparties, of which management has assessed that the related project advances remain recoverable as of December 31, 2022 and 2021.

17.4 Refundable Deposits

Refundable deposits significantly include deposits, which are perpetual in nature, made to power and water distribution companies pursuant to the supply needs of the Group's existing and on-going projects in Aseana City.

18. LOANS AND BORROWINGS

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

	2022	2021
Current	**P 1,269,444,444**	P 1,094,850,000
Non-current	**1,912,055,556**	2,187,500,000
	P 3,181,500,000	P 3,282,350,000

The Group obtained bank loans to support its working capital requirements, financing and investing activities, which include the Group's construction and development of certain investment properties (see Note 15).

18.1 Parent Company

In 2015, the Parent Company has fully drawn a P450.0 million secured loan from a term loan facility subject to a term of eight years from and after the initial drawdown date, inclusive of a grace period of two years. The loan bears an initial fixed 4% interest per annum and is subject to quarterly repricing from July 2015. The loan was obtained to partially finance the redemption of mortgaged properties with a certain corporation as payment for completing the Phase 4 of the Manila Bay Area Reclamation Project. In 2022 and 2021, the loan bears an average floating interest rate of 5.25% and 4.75%, respectively.

18.2 ARHC

In 2020, ARHC obtained a one-year, P1,000.0 million secured loan to partially finance the acquisition of LBDC. The loan bears an average floating rate of 2.25% and was payable in lump sum on its maturity date. The loan was fully paid as of December 31, 2021.

In 2021, ARHC availed a one-year, P1,000.0 million secured a term loan facility from a local bank to partially finance the construction of MidPark Residences. The term loan facility is fully drawn in the same year; and is repayable in lumpsum at maturity date which is one year from the date of availment. The loan is subject to a fixed interest rate of 2.25%. In 2022, the loan was renewed for another year at a fixed interest rate of 4.20%.

Also, in 2021, ARHC availed a five-year, P500.0 million secured term loan facility as incremental funds to partially finance the construction of MidPark Residences. The term loan is fully drawn in the same year and is payable quarterly starting January 15, 2024 to October 15, 2026. The loan is subject to a fixed interest rate of 3.50%.

18.3 AHI

In 2014 and 2015, AHI obtained eight-year, unsecured loans amounting to P171.0 million and P27.5 million, respectively, for working capital purposes that are subject to variable interest rates, which are repriced quarterly and with an annual average interest rates of 3.80% and 4.75% in 2022 and 2021, respectively. The loans are payable in 20 quarterly installments over a period of seven years starting in the second year from initial loan release.

In 2021, AHI availed a five-year, P1,000.0 million secured term loan facility from a local bank to partially finance AHI's various capital expenditures. The term loan facility is fully drawn in the same year. The loan bears a fixed interest rate of 3.75% and is payable in 12 equal quarterly installments after the end of a two-year grace period from date of availment.

Also, in 2021, AHI availed a five-year, P1,500.0 million secured term loan facility to partially finance the construction of Parqal, a mixed-use development project of AHI. The loan bears a fixed interest rate of 3.85% and is payable in 12 equal quarterly installments to commence on the ninth quarter from initial drawdown date. In the same year, AHI made a drawdown of P500.0 million.

The bank loan availed by the Parent Company is secured by its properties under land and land development cost, while the bank loans availed by AHI and ARHC in 2021 are secured by continuing suretyship by the Parent Company, and certain investment properties owned by the Parent Company and BAHI (see Note 15). AHI and ARHC are not permitted to sell or repledge the collateral owned by BAHI.

As of December 31, 2022 and 2021, the Group's bank loans are secured by certain assets as follows:

	Notes	
Investment properties	15	P 1,578,577,269
Land and land development cost	11	52,941,702
		P 1,631,518,971

The reconciliation of the carrying amounts of the Group's loans and borrowings arising from financing activities is shown below.

	2022	2021
Balance at beginning of year	**P 3,282,350,000**	P 1,397,020,000
Additional borrowings	**-**	3,000,000,000
Repayments	**(100,850,000)**	(1,114,670,000)
Balance at end of year	**P 3,181,500,000**	P 3,282,350,000

In 2022, 2021, and 2020, interest costs related to bank loans amounted to P11.7 million, P16.1 million, and P23.6 million , respectively, and were recognized as part of Interest expense under Finance costs account in the consolidated statements of profit or loss (see Note 22.1).

In 2022 and 2021, capitalized borrowing costs amounted to P105.6 million and P53.7 million, respectively, as a result of the specific borrowings acquired for the construction of Parqal and MidPark Residences (see Notes 10 and 15). Portion of the capitalized borrowing costs amounting to P49.8 million and P55.8 million in 2022 and P24.9 million and P28.7 million in 2021 were capitalized under the Group's property development costs and investment properties, respectively. There were no capitalized borrowing costs in 2020 as management assessed that the amount of interest capitalizable from the outstanding general borrowings is not significant to the consolidated financial statements.

There is no unpaid interest related to bank loans as of December 31, 2022 and 2021.

Except as disclosed in Note 30, the Group has no other significant loan covenants as of December 31, 2022 and 2021.

19. TRADE AND OTHER PAYABLES

This account consists of the following:

	Note	2022	2021
Deferred output VAT payable		**P 777,085,624**	P 714,707,155
Accrued expenses		**541,508,849**	524,849,484
Retention payable		**356,412,832**	258,658,222
Trade payables	26.7	**308,983,535**	360,109,777
Other payables		**109,517,506**	135,768,875
		P 2,093,508,346	P 1,994,093,513

Deferred output VAT payable significantly relates to outstanding receivables from construction contracts as of the end of the reporting periods.

Retention payable represent a portion of progress billings received from third party contractors for the construction work performed which is retained by the Group to bind the contractors in completing the agreed performance obligation.

Other payables include withholding taxes on compensation, expanded withholding taxes and other statutory liabilities that are expected to be settled within 12 months from the end of each reporting period.

20. DEPOSITS AND ADVANCES

This account consists of:

	Note	2022	2021
Current:			
Reservation deposits	2.16(b)	**P 258,627,160**	P 490,596,454
Advance rentals		**207,498,651**	219,114,647
Construction bond		**57,434,383**	36,825,167
Unearned rent income		**20,952,148**	8,240,491
Rental deposits		**5,523,562**	32,307,530
Buyers' deposits	2.16(a)	**1,009,196**	1,009,196
Others		**3,970,187**	3,341,970
		555,015,287	791,435,455
Non-current:			
Rental deposits		**276,281,709**	256,222,831
Retention payable		**110,765,630**	83,510,600
Unearned rent income		**79,181,891**	59,321,324
Advance rentals		**48,378,239**	48,378,239
Buyers' deposits	2.16(a)	**5,827,832**	5,827,833
		520,435,301	453,260,827
		P 1,075,450,588	P 1,244,696,282

Advance rentals pertain to payments received from tenants to be applied on future rentals due on the lease of the Group's properties held under operating lease agreements. For income tax purposes, advance rentals are considered as part of taxable income upon receipt, less initial direct costs incurred by the Group in negotiating and arranging the specific operating lease, which shall be amortized over the same term as that of the advance rentals (see Note 25).

Unearned rent income resulted from the recognition of day-one gain on discounting of rental deposits, which are amortized over the remaining lease term. The Group realized portions of its unearned rent income from discounting amounting to P13.1 million, P14.7 million, and P4.2 million in 2022, 2021, and 2020, respectively, and is presented as part of the Rental revenues in the consolidated statements of profit or loss. The related amortization of discount on security deposits amounted to P10.3 million, P9.8 million, and P4.0 million in 2022, 2021, and 2020, respectively, and is presented under the Finance Costs in the consolidated statements of profit or loss (see Note 22.1).

Buyers' deposits represent advances received from customers for real estate land to be sold. Buyers' deposits will be applied against the receivables from customers upon consummation of sale.

21. COSTS OF SERVICES AND SALES

21.1 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	2020
Depreciation and amortization	15, 16.1	**P 191,449,807**	P 117,825,531	P 108,559,826
Utilities		**46,312,421**	26,090,630	21,028,714
Real property tax		**42,456,660**	44,334,623	43,497,150
Outside services		**35,106,910**	32,438,878	26,180,808
Repairs and maintenance		**15,969,002**	12,120,687	8,017,840
Professional fees		**13,840,536**	12,576,968	9,808,005
Office supplies		**12,742,708**	8,952,490	9,710,261
Others		**19,663,397**	21,493,125	10,481,220
	23	**P 377,541,441**	P 275,832,932	P 237,283,824

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

21.2 Cost of Sale of Condominium Units

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

	Notes	2022	2021	2020
Development costs	23	**P 419,966,454**	P 172,163,389	P 340,989,767
Land cost	23	**52,689,888**	26,706,722	44,704,517
Others		**62,519,454**	28,718,172	23,779,205
	10.1, 23	**P 535,175,796**	P 227,588,283	P 409,473,489

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

Others include permits and licenses, development charges, surveying, monumenting and titling fees.

21.3 Cost of Construction Contracts

The details of cost of construction contracts are shown below.

	Notes	2022	2021	2020
Construction materials		**P 4,907,097**	P 339,222	P 1,017,919
Subcontract services	26.8	**2,047,835**	39,350,226	15,066,514
Salaries and employee benefits	24.1	**-**	30,000	116,479
Depreciation and amortization	14	**-**	-	124,169
Gasoline and oil		**-**	-	47,757
	23	**P 6,954,932**	P 39,719,448	P 16,372,838

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

Presented below are the details of other income (charges).

22.1 Finance Costs

	Notes	2022	2021	2020
Interest expense:				
Lease liabilities	16.2	**P 42,023,359**	P 20,454,604	P 12,425,602
Bank loans	18	**11,657,529**	16,135,862	23,602,439
Amortization of discount on security deposits	20	**10,286,033**	9,785,102	3,966,104
Retirement benefit obligation	24.2	**1,434,699**	1,792,486	181,521
Fair value loss on financial assets at FVTPL	12	**330,000**	2,070,000	-
Foreign currency loss		**-**	-	697,562
Others		**109,323**	4,007,767	188,493
		P 65,840,943	P 54,245,821	P 41,061,721

Others represent incidental service and other bank related charges.

22.2 Finance Income

	Notes	2022	2021	2020
Interest income	8, 12	**P 53,384,109**	P 14,711,878	P 88,678,484
Foreign currency gain		**3,044,300**	1,294,908	-
Fair value gain on financial assets at FVTPL	12	**-**	-	2,790,000
		P 56,428,409	P 16,006,786	P 91,468,484

22.3 Other Operating Income

	Notes	2022	2021	2020
Income from rendering of administrative and other services	26.6	**P 40,277,785**	P 38,734,452	P 34,581,021
Gain on sales cancellation and forfeiture of reservation deposits		**35,639,666**	43,656,016	-
Reversal of impairment loss on financial assets – net	5.2(b)	**-**	3,168,255	36,848,284
Others		**39,923,170**	19,911,572	66,643,063
		P 115,840,621	P 105,470,295	P 138,072,368

Others also includes sale of air rights, parking fee income, vetting fee and signage rental.

22.4 Other Income

Other income presented in the 2020 consolidated statement of profit or loss pertains to the income from the derecognition of certain advances from a co-joint venturer [see Note 13.3(b)].

23. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2022	2021	2020
Development costs	21.2	**P 419,966,454**	P 172,163,389	P 340,989,767
Depreciation and amortization	14, 15, 16.1	**254,719,144**	156,271,009	153,829,872
Salaries and employee benefits	24.1	**172,091,520**	158,708,420	156,690,815
Taxes and licenses		**133,578,666**	161,050,694	147,039,387
Commission		**102,985,814**	27,662,003	32,731,210
Cost of sale of land	11	**55,212,604**	55,212,604	-
Land cost	21.2	**52,689,888**	26,706,722	44,704,517
Utilities		**50,197,102**	28,057,196	22,301,808
Outside services		**42,147,944**	40,087,483	31,978,195
Association dues	26.7	**39,391,471**	35,214,358	32,476,130
Professional fees		**31,805,829**	31,233,444	26,969,019
Representation and entertainment		**26,445,942**	26,580,263	24,665,029
Impairment loss on financial assets	5.2(b)	**25,522,974**	-	-
Office supplies		**20,810,340**	16,670,586	18,617,517
Repairs and maintenance		**18,594,097**	14,854,179	13,547,678
Corporate affairs		**7,144,680**	2,478,784	1,963,495
Bond and insurance		**6,219,032**	4,870,472	14,927,660
Construction materials		**4,907,097**	339,222	1,017,919
Transportation and travel		**3,714,204**	2,730,116	2,916,179
Subcontract services	26.8	**2,047,835**	39,350,226	15,066,514
Others	16.3	**138,249,841**	65,571,479	82,666,239
		P 1,608,442,478	P 1,065,812,649	P 1,165,098,950

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 consolidated statements of profit or loss as follows:

	Notes	2022	2021	2020
Cost of sale of condominium units	10.1, 21.2	**P 535,175,796**	P 227,588,283	P 409,473,489
Cost of rentals	21.1	**377,541,441**	275,832,932	237,283,824
Cost of sale of land	11	**55,212,604**	55,212,604	-
Cost of construction contracts	21.3	**6,954,932**	39,719,448	16,372,838
General and administrative expenses		**524,630,585**	436,340,082	465,582,990
Selling expenses		**108,927,120**	31,119,300	36,385,809
		P 1,608,442,478	P 1,065,812,649	P 1,165,098,950

The details of general and administrative expenses are shown below.

	Notes	2022	2021	2020
Salaries and employee benefits	24.1	**P 172,091,518**	P 158,678,420	P 156,574,336
Taxes and licenses		**91,122,007**	116,716,071	103,542,237
Depreciation and amortization	14, 15	**63,269,337**	38,445,478	45,145,877
Association dues	26.7	**39,391,471**	35,214,358	32,476,130
Representation and entertainment		**26,445,942**	26,580,263	24,665,029
Impairment loss on financial assets	5.2(b), 26	**25,522,974**	-	-
Professional fees		**17,965,293**	18,656,476	17,161,014
Office supplies		**8,067,633**	7,718,096	8,907,256
Corporate affairs		**7,144,680**	2,478,784	1,963,495
Outside services		**7,041,034**	7,648,605	5,797,387
Bond and insurance		**6,219,032**	4,870,472	4,446,440
Utilities		**3,884,680**	1,966,566	1,273,094
Transportation and travel		**3,714,202**	2,730,116	2,916,179
Repairs and maintenance		**2,625,095**	2,733,492	5,529,838
Others	16.3	**50,125,687**	11,902,885	55,184,678
		P 524,630,585	P 436,340,082	P 465,582,990

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

24. EMPLOYEE BENEFITS

24.1 Salaries and Employee Benefits Expense

The details of salaries and employee benefits are presented below.

	Notes	2022	2021	2020
Short-term employee benefits		**P 165,519,404**	P 154,204,630	P 153,736,841
Post-employment defined benefit	24.2	**6,572,116**	4,503,790	2,953,974
	23	**P 172,091,520**	P 158,708,420	P 156,690,815

Salaries and employee benefits are classified and presented in the consolidated statements of profit or loss as follows:

	Notes	2022	2021	2020
General and administrative expenses	23	**P 172,091,520**	P 158,678,420	P 156,574,336
Cost of construction contracts	21.3	**-**	30,000	116,479
	23	**P 172,091,520**	P 158,708,420	P 156,690,815

24.2 Post-employment Defined Benefit Obligation

(a) Characteristics of the Post-employment Defined Benefit Plan

The Group is in the process of establishing a non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank manages the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The Group conforms to the minimum requirement of Philippine Law wherein it accrues the estimated cost of retirement benefits required by the provisions of R.A. No. 7641. R.A. No. 7641 does not, however, require it to be funded.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment benefit cost. All amounts presented are based on the actuarial valuation report obtained from an independent actuary in 2022, 2021 and 2020.

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	2022	2021
Present value of the obligation	**P 55,725,261**	P 66,771,063
Fair value of plan assets	**(37,424,937)**	(38,248,219)
	P 18,300,324	P 28,522,844

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

	2022	2021
Balance at beginning of year	**P 66,771,063**	P 87,122,610
Current service cost	**6,572,116**	4,503,792
Interest expense	**3,358,584**	3,450,055
Actuarial gains arising from:		
- changes in financial assumptions	**(10,390,884)**	(7,287,446)
- changes in demographic assumptions	**(7,708,441)**	(652,441)
- experience adjustments	**(2,877,177)**	(19,262,411)
Benefits paid	**-**	(1,103,096)
Balance at end of year	**P 55,725,261**	P 66,771,063

The movements in the fair value of plan assets are presented below.

	2022	2021
Balance at beginning of year	**P 38,248,219**	P 41,857,802
Remeasurement loss – return on plan assets (excluding amounts included in net interest)	**(2,747,167)**	(5,267,152)
Interest income	**1,923,885**	1,657,569
Balance at end of year	**P 37,424,937**	P 38,248,219

Plan assets consists only of the Parent Company's own equity securities (see Note 26.4). The fair value of the equity securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

The components of amounts recognized in the consolidated statements of profit or loss and in the consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Notes	2022	2021	2020
Recognized in consolidated profit or loss:				
Current service cost	24.1	**P 6,572,116**	P 4,503,792	P 3,612,921
Net interest expense	22.1	**1,434,699**	1,792,486	181,521
		P 8,006,815	P 6,296,278	P 3,794,442

	Note	2022	2021	2020
Recognized in consolidated other comprehensive income (loss):				
Actuarial losses (gains) arising from:				
- changes in financial assumptions		**(P 10,390,884)**	(P 7,287,446)	P 6,456,256
- changes in demographic assumptions		**(7,708,441)**	(652,441)	-
- experience adjustments		**(2,877,177)**	(19,262,411)	17,641,950
- remeasurement loss on plan assets		**2,747,167**	5,267,152	14,333,790
	28.2	**(P 18,229,335)**	(21,935,146)	P 38,431,996

Current service cost is recognized as part of Salaries and employee benefits under General and Administrative Expenses account in the consolidated statements of profit or loss (see Note 24.1). The net interest expense is included as part of Finance costs under Other Income (Charges) account in the consolidated statements of profit or loss (see Note 22.1).

Amount recognized in consolidated other comprehensive income (loss) is included and presented as item that will not be reclassified subsequently to consolidated profit or loss.

In determining the amounts of post-employment defined benefit obligation, the following significant actuarial assumptions were used:

	2022	2021
Discount rates	**7.22%**	5.03%
Expected rate of salary increases	**3.00%**	3.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 22.2 years and 22.9 years as of December 31, 2022 and 2021, respectively, both for males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Post-employment Plan

The plan exposes the Group to actuarial risks such as interest rate risk and longevity and salary risks.

(i) *Investment and Interest Risk*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has investment in equity securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the post-employment defined benefit plan are described below and in the succeeding page.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31, 2022 and 2021:

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2022			
Discount rate	+/- 1.0%	**(P 3,784,503)**	**P 4,350,555**
Salary growth rate	+/- 1.0%	**4,495,408**	**(3,964,654)**
December 31, 2021			
Discount rate	+/- 1.0%	(P 5,769,235)	P 6,770,647
Salary growth rate	+/- 1.0%	6,843,399	(5,927,209)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Funding Arrangements and Expected Contributions*

At the end of the reporting period, the Group has not determined yet the additional funding of its post-employment defined benefit obligation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in the future when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments in the next 10 years from the plan as of December 31 follows:

	2022	2021
Within five years	**P 27,515,076**	P 23,597,400
More than five years to 10 years	**30,544,508**	32,035,240
	P 58,059,584	P 55,632,640

The weighted average duration of the defined benefit obligation at the end of the reporting period is 6.9 years.

25. INCOME TAXES

25.1 Current and Deferred Taxes

The components of tax expense reported in the consolidated statements of profit or loss are as follows:

	2022	2021	2020
Reported in consolidated profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 25% or 20% in 2022 and 2021, and 30% in 2020	**P 364,483,710**	P 404,842,447	P 459,891,844
Effect of change in income tax rate	**-**	(38,275,867)	-
Final tax at 20%, 15% and 7.5%	**11,473,237**	3,000,024	17,916,299
Minimum corporate income tax (MCIT) at 1% in 2022 and 2021, and 2% in 2020	**20,825**	-	-
	375,977,772	369,566,604	477,808,143
Deferred tax expense relating to:			
Origination and reversal of temporary differences	**214,250,318**	159,928,264	144,681,364
Effect of change in income tax rate	**-**	(139,541,239)	-
	214,250,318	20,387,025	144,681,364
	P 590,228,090	P 389,953,629	P 622,489,507

The components of tax expense (income) reported in the consolidated statements of comprehensive income are as follows:

	2022	2021	2020
Reported in consolidated other comprehensive income (loss) –			
Deferred tax expense (income) relating to –			
Remeasurement of retirement benefit obligation	P 4,557,334	P 5,483,787	(P 11,529,599)

Management has assessed that the impact of remeasurement arising from the effect of change in income tax rate on the deferred tax component of other comprehensive income in 2021 is not significant to the consolidated financial statements.

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of profit or loss is as follows:

	2022	2021	2020
Tax on pretax profit at 25% or 20% in 2022 and 2021, and 30% in 2020	P 681,772,320	P 614,110,275	P 836,009,594
Adjustment in 2020 income taxes due to change in income tax rate	-	(177,817,106)	-
Adjustment for income subjected to lower tax rates	(2,694,596)	(872,170)	(8,503,152)
Tax effects of:			
Excess of optional standard deduction (OSD) over itemized deductions	(82,753,664)	(46,780,005)	(174,575,821)
Non-taxable income	(3,336,718)	(4,669,847)	(51,255,470)
Non-deductible expenses and other taxable income eliminated during consolidation	(4,680,666)	5,027,745	20,090,576
Unrecognized deferred tax on net operating loss carryover (NOLCO) and other temporary differences	1,921,414	958,959	754,166
Applied NOLCO	-	(4,222)	(30,386)
	P 590,228,090	P 389,953,629	P 622,489,507

The net deferred tax liabilities relate to the following as of December 31:

	2022	2021
Net deferred tax assets:		
Allowance for impairment of receivables	P 551,980	P 720,275
Advance rentals	21,327	-
Excess of taxable realized gross profit over the accounting realized gross profit from sale of condominium units	-	101,128,055
Commissions	-	(3,147,894)
Unrealized foreign currency loss	-	57,244
	P 573,307	P 98,757,680

	2022	2021
Balance forwarded	P 573,307	P 98,757,680
Net deferred tax liabilities:		
Accrued rent income based on PFRS 16	(1,298,947,179)	(1,172,695,277)
ROUA and lease liabilities	67,610,979	50,020,304
Allowance for impairment on receivables	63,959,266	46,866,870
Advance rentals	63,314,052	65,641,980
Excess of accounting realized gross profit over the taxable realized gross profit from sale of condominium units	(28,908,119)	-
Retirement benefit obligation	23,608,345	26,195,831
Revaluation increment on land	(4,761,973)	(4,761,973)
Commissions	1,302,425	-
Unrealized foreign currency gain	(656,947)	(331,750)
NOLCO	8,406	-
	(1,113,470,745)	(989,064,015)
Net deferred tax liabilities	(P 1,112,897,438)	(P 890,306,335)

The movements in net deferred tax liabilities for the years ended December 31, 2022, 2021 and 2020 are as follows:

	Profit or Loss			Other Comprehensive Income (Loss)		
	2022	2021	2020	2022	2021	2020
Accrued rent income based on PFRS 16	P 145,879,433	(P 94,238,526)	P 162,512,578	P -	P -	P -
Excess deferred gross profit on sale of condominium units	130,036,072	91,917,384	(22,739,224)	-	-	-
Allowance for impairment of receivables	(44,889,603)	4,714,612	(23,650,508)	-	-	-
ROUA and lease liabilities	(17,590,675)	(7,989,785)	(19,310,409)	-	-	-
Commissions	(4,450,319)	1,599,075	1,548,819	-	-	-
Retirement benefit obligation	2,587,486	3,930,246	(1,832,328)	4,557,334	5,483,787	(11,529,599)
Advance rentals	2,306,702	20,686,304	48,263,084	-	-	-
Unrealized foreign currency gain (loss)	379,628	720,110	(160,621)	-	-	-
NOLCO	(8,406)	-	49,973	-	-	-
Revaluation increment on land	-	(952,395)	-	-	-	-
Deferred tax expense (income) – net	P 214,250,318	P 20,387,025	P 144,681,364	P 4,557,334	P 5,483,787	(P 11,529,599)

The Group is subject to MCIT which is computed at 1% in 2022 and 2021, and 2% in 2020, of gross income, as defined under the tax regulations or RCIT, whichever is higher (see Note 25.2). The Group is liable for RCIT in 2022, 2021 and 2020 since RCIT was higher than MCIT, except for 58 Jupiter which was subjected to MCIT in 2022.

The Group did not recognize deferred tax assets on NOLCO and MCIT of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The unrecognized deferred tax assets relating to NOLCO and MCIT are presented below.

	2022	2021
NOLCO	P 3,526,881	P 3,960,388
MCIT	20,825	2,814
	P 3,547,706	P 3,963,402

The details of NOLCO and MCIT related to the Parent Company's certain subsidiaries, which can be claimed as deduction from future taxable income and regular corporate income tax liabilities, respectively, within three to five years from the year the NOLCO and MCIT were incurred are shown below. Specifically, NOLCO incurred in 2021 and 2020 of such subsidiaries can be claimed as deduction for the next five consecutive taxable years or until 2026 and 2025, respectively, in accordance with Section 4 of R.A. 11494, *Bayanihan to Recover as One Act*.

Year Incurred	Amount	Applied	Expired	Remaining Balance	Valid Until
NOLCO:					
2022	P 5,720,128	P -	P -	P 5,720,128	2025
2021	4,157,270	(27,641)	-	4,129,629	2026
2020	4,280,135	-	-	4,280,135	2025
2019	8,411,737	-	(8,411,737)	-	
	P 22,569,270	(P 27,641)	(P 8,411,737)	P 14,129,892	
MCIT:					
2022	P 20,825	P -	P -	P 20,825	2025
2019	2,814	-	(2,814)	-	
	P 23,639	P -	(P 2,814)	P 20,825	

In 2022, 2021 and 2020, the Group claimed itemized deductions in computing its income tax due, except for AHI, which opted to claim OSD in 2022, 2021, and 2020; ARHC, which opted to claim OSD in 2021 and 2020; DMWAI, which opted to claim OSD in 2022 and 2021; and LBDC, ARESM and UCTPI, which opted to claim OSD in 2022.

25.2 Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and became effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group:

- RCIT rate was reduced from 30% to 25% or 20% starting July 1, 2020;
- MCIT rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% or 20% starting July 1, 2020, the current income tax expense and income tax payable or tax credits, as presented in their respective 2020 annual income tax returns (ITR) of the entities within the Group, was lower by a net amount of P38.3 million than the amount presented in their respective 2020 financial statements and such net amount was charged to 2021 consolidated profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized net deferred tax liabilities in 2020 by P139.5 million and such was recognized in the 2021 consolidated profit or loss.

26. RELATED PARTY TRANSACTIONS

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

The summary of the Group's transactions in 2022, 2021 and 2020 with its related parties and the outstanding balances as of December 31, 2022 and 2021 are presented below and in the succeeding pages.

Related Party Category	Note	Outstanding Balances 2022	2021	Amount of Transactions 2022	2021	2020
Ultimate parent company:						
Cash advances granted	26.1	**P 485,006,512**	P 473,211,213	**P 11,795,299**	P 32,359,682	P 4,170,677
Advances from purchase of land	26.2	**(3,990,125,069)**	(3,990,125,069)	**-**	-	321,583,236
Cash advances assumed	26.2	**(70,133,585)**	(44,743,876)	**(25,389,709)**	(1,750,791)	(42,993,085)
Management fee	26.3	**21,844,058**	3,640,676	**43,688,115**	3,640,676	-
Right-of-use assets	26.3	**478,590,552**	509,377,480	**(30,786,928)**	356,828,948	(5,649,946)
Lease liabilities	26.3	**(524,528,916)**	(534,035,912)	**9,506,996**	(368,508,998)	(1,143,202)
Amortization	26.3	**-**	-	**21,121,456**	22,503,253	5,649,946
Interest expense	26.3	**-**	-	**42,129,716**	21,181,383	12,425,602
Associates –						
Cash advances granted	26.1	**7,559,525**	7,557,728	**1,797**	2,300	202,601
Joint venture:						
Cash advances granted (collected)	26.1	**37,583,941**	37,583,941	**-**	-	(7,415,124)
Construction contracts	26.5	**8,331,867**	45,128,657	**(36,796,790)**	17,454,899	(27,896,666)
Co-joint venturer –						
Cash advances transferred (obtained)	26.2	**-**	-	**-**	-	(40,026,017)
Related parties under common ownership and management:						
Cash advances granted (collected)	26.1	**138,574,233**	192,892,495	**(54,318,262)**	24,647,617	(3,370,655)
Cash advances paid (obtained)	26.2	**-**	-	**-**	-	28,642,185
Association dues	26.7	**62,098,065**	45,817,770	**39,137,699**	35,214,358	32,476,130
Contracts of services	26.8	**-**	-	**2,047,836**	15,724,500	15,063,235
Other income	26.6	**-**	-	**26,677,578**	38,734,451	24,138,804
Stockholders –						
Cash advances granted	26.1	**101,638,463**	97,113,470	**4,524,993**	58,370	13,052,025
Key management personnel –						
Compensation	26.9	**-**	-	**59,365,577**	46,058,460	59,771,967
Retirement fund	26.4	**37,424,937**	38,248,219	**(823,282)**	(3,609,583)	(11,561,337)

The outstanding balance of receivables and payables from these transactions are unsecured, noninterest-bearing and due upon demand, unless otherwise stated.

The Group's outstanding receivables with related parties were subjected to impairment. The application of the ECL methodology and the corresponding movements in the allowance for ECL relating to the outstanding balances with related parties is fully disclosed in Note 5.2(b).

26.1 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 consolidated statements of financial position (see Note 9).

	2022	2021
Ultimate parent company	**P 485,006,512**	P 473,211,213
Related parties under common ownership and management	**138,574,233**	192,892,495
Stockholders	**101,638,463**	97,113,470
Joint ventures	**37,583,941**	37,583,941
Associates	**7,559,525**	7,557,728
	P 770,362,674	P 808,358,847

The movements in the carrying amount of the advances to related parties in 2022 and 2021 are as follows:

	Ultimate parent company	**Related parties under common ownership and management**	**Stockholders**	**Joint Ventures**	**Associates**	**Total**
December 31, 2022						
Balance at beginning of year	P 473,211,213	P 192,892,495	P 97,113,470	P 37,583,941	P 7,557,728	P 808,358,847
Additions	32,662,000	8,650,923	4,524,993	-	1,797	45,839,713
Collections	(20,866,701)	(62,969,185)	-	-	-	(83,835,886)
Balance at end of year	**P 485,006,512**	**P 138,574,233**	**P 101,638,463**	**P 37,583,941**	**P 7,559,525**	**P 770,362,674**
December 31, 2021						
Balance at beginning of year	P 440,851,531	P 168,244,878	P 97,055,100	P 37,583,941	P 7,555,428	P 751,290,878
Additions	32,359,682	27,227,607	14,765,781	-	7,167,599	81,520,669
Collections	-	(2,579,990)	(14,707,411)	-	(7,165,299)	(24,452,700)
Balance at end of year	P 473,211,213	P 192,892,495	P 97,113,470	P 37,583,941	P 7,557,728	P 808,358,847

26.2 Advances from and Due to a Related Party

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. These also include the portion of advances owed to ADI, which is presented as part of Advances from a Co-Joint Venturer in the 2019 consolidated statement of financial position. In 2020, the remaining advances owed to ADI amounting to P40.0 million are reclassified as part of advances from related parties due to the assumption of the liability by the Ultimate Parent Company.

Advances from and due to a related party and the portion of advances owed to arise from and are considered as financing activities. The reconciliation of the carrying amounts of these accounts with movements during the reporting periods as presented in the consolidated statements of cash flows is shown below.

	2022	2021
Balance at beginning of year	**P 4,034,868,945**	P 4,033,118,154
Additions	**137,992,739**	117,184,362
Repayments	**(112,603,030)**	(115,433,571)
Balance at end of year	**P 4,060,258,654**	P 4,034,868,945

The outstanding balances with related parties are unsecured, noninterest-bearing, have no fixed repayment and settlement terms, except as disclosed in Note 5.3, and are presented as Advances from and Due to Related Parties account in the consolidated statements of financial position.

26.3 Rentals

In 2019, the Group entered into a lease agreement with the Ultimate Parent Company for certain parcels of land with lease term of 30 years. In accordance with PFRS 16 (see Note 16), the Group recognized right-of-use asset and lease liability amounting to P163.8 million for this lease arrangement. The Group incurred amortization expense amounting to P5.6 million each in 2022, 2021 and 2020. Interest expense related to said lease amounted to P12.6 million, P12.5 million, and P12.4 million in 2022, 2021, and 2020, respectively.

In 2021, the Group entered into two additional lease agreements with the Ultimate Parent Company for certain parcels of land with lease terms of 3 years and 25 years. In accordance with PFRS 16 (see Note 16), the Group recognized right-of-use assets and lease liabilities amounting to P379.3 million for these lease arrangements. The Group incurred amortization expense and interest expense amounting to P10.0 million and P29.4 million in 2022 and P6.5 million and P7.9 million in 2021, respectively, which are charged to profit or loss. Amortization expense and interest expense amounting to P5.5 million and P0.1 million in 2022 and P10.3 million and P0.7 million in 2021, respectively, is capitalized as part of Property Development Costs in the consolidated statements of financial position.

In 2021, the Group also entered into a contract with WHI to render certain performance obligations relative to the management and administration of the latter's real estate properties, including portions leased to a third party. Revenue recognized from this arrangement amounted to P21.8 million and P3.6 million in 2022 and 2021, respectively, and is presented as part of Other Revenues from Rentals under the Revenues section of the consolidated statements of profit or loss. The outstanding balance, which is unsecured and noninterest-bearing, for the same amount is presented as part of Other receivables under Receivables account in the consolidated statements of financial position (see Note 9).

26.4 Transactions with the Retirement Fund

As discussed in Note 24.2, the Group is in the process of establishing a non-contributory post-employment benefit plan that is being administered by a trustee bank. The quoted equity securities included in the plan assets pertain to the shares of the Parent Company measured at its fair value as of December 31, 2022 and 2021.

26.5 Contract Revenues and Receivables

The Group and BRADCO entered into certain construction contracts in 2016 and prior years whereby the Group undertook to complete the design and construction of the roads drainage system and underground utilities of certain lots situated at Aseana City. The construction was completed in 2017. The related contract receivable, which is unsecured, noninterest-bearing and payable in 90 days, amounting to P8.3 million and P45.1 million as of December 31, 2022 and 2021, respectively, is included as part of Contract receivables under Receivables account in the consolidated statements of financial position (see Note 9.3).

26.6 Other Income from Rendering of Administrative Services

The Group recognized income amounting to P26.8 million, P38.7 million, and P24.1 million in 2022, 2021 and 2020, respectively, from rendering of various administrative services to its related parties and are included as part of Other Operating Income account in the consolidated statements of profit or loss (see Note 22.3). There are no outstanding receivables related to these transactions.

26.7 Association Dues

The Group incurred association dues amounting to P39.1 million, P35.2 million, and P32.5 million in 2022, 2021 and 2020, respectively, as member of Aseana Business Park Estate Association and Aseana Power Station Association, Inc., which are presented as part of Association dues under General and Administrative Expenses account in the consolidated statements of profit or loss (see Note 23). The outstanding payables, which are due upon demand, related to these transactions amounting to P62.1 million and P45.9 million as of December 31, 2022 and 2021, respectively, are included as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 19).

26.8 Contracts of Services

The Group has a contract of services with a certain related party under common ownership and management. Under such contract, the same related party will provide consultancy, management, and labor services to the Group upon the latter's request. Total costs incurred related to these contracts amounted to P2.0 million, P15.7 million, and P15.1 million for the years ended December 31, 2022, 2021 and 2020, respectively, and are shown as part of Cost of construction contracts under Costs of Services and Sales account in the consolidated statements of profit or loss (see Note 21.3). There was no outstanding liability related to this transaction as of December 31, 2022 and 2021.

26.9 Key Management Personnel Compensation

Compensation paid to key management personnel consist of short-term and post-employment benefits, which include among others, salaries and allowances, bonuses and other employee benefits totaling P59.4 million, P46.1 million, and P59.8 million in 2022, 2021, and 2020, respectively. There are no outstanding liabilities arising from this transaction.

27. EARNINGS PER SHARE

Basic and diluted earnings per share were computed as follows:

	2022	2021	2020
Net profit attributable to the equity shareholders of the Parent Company	**P 2,121,667,409**	P 2,069,694,381	P 2,130,725,241
Divided by weighted average number of outstanding common shares*	**3,395,864,100**	3,395,864,100	3,395,864,100
Basic and diluted earnings per share	**P 0.625**	P 0.609	P 0.627

*The Group has no potential dilutive common shares as of December 31, 2022, 2021 and 2020.

28. EQUITY

28.1 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 December 31, 2022 and 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 P6.7 per share and P6.8 per share as of December 31, 2022 and 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 (see Note 15).

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 2022 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 December 31, 2022 and 2021, there are 29 and 27 holders of the listed common shares owning at least one board lot of 100 shares, respectively. The public float lodged with PCD Nominee is counted as one stockholder only.

28.2 Revaluation Reserves

The movements of this account in 2022, 2021 and 2020 are as follows:

	Investment Properties (see Note 2.25)	**Retirement Benefit Obligation** (see Notes 24.2 and 25)	**Financial Assets at FVOCI** (see Note 17.2)	**Total**
Balance as of January 1, 2022	P 19,047,893	(P 37,942,414)	(P 33,397,618)	(P 52,292,139)
Remeasurements of post-employment defined benefit plan	-	18,229,335	-	18,229,335
Fair value gain on financial assets at FVOCI	-	-	341,528	341,528
Other comprehensive income before tax	-	18,229,335	341,528	18,570,863
Tax expense	-	(4,557,334)	-	(4,557,334)
Other comprehensive income after tax	-	13,672,001	341,528	14,013,529
Balance as of December 31, 2022	**P 19,047,893**	**(P 24,270,413)**	**(P 33,056,090)**	**(P 38,278,610)**
Balance as of January 1, 2021	P 19,047,893	(P 54,393,773)	(P 25,905,453)	(P 61,251,333)
Remeasurements of post-employment defined benefit plan	-	21,935,146	-	21,935,146
Fair value loss on financial assets at FVOCI	-	-	(7,492,165)	(7,492,165)
Other comprehensive income (loss) before tax	-	21,935,146	(7,492,165)	14,442,981
Tax expense	-	(5,483,787)	-	(5,483,787)
Other comprehensive income (loss) after tax	-	16,451,359	(7,492,165)	8,959,194
Balance as of December 31, 2021	P 19,047,893	(P 37,942,414)	(P 33,397,618)	(P 52,292,139)

	Investment Properties (see Note 2.25)	Retirement Benefit Obligation (see Notes 24.2 and 25)	Financial Assets at FVOCI (see Note 17.2)	Total
Balance as of January 1, 2020	P 19,047,893	(P 27,491,376)	P 299,863	(P 8,143,620)
Remeasurements of post-employment defined benefit plan	-	(38,431,996)	-	(38,431,996)
Fair value loss on financial assets at FVOCI	-	-	(26,205,316)	(26,205,316)
Other comprehensive loss before tax	-	(38,431,996)	(26,205,316)	(64,637,312)
Tax income	-	11,529,599	-	11,529,599
Other comprehensive loss after tax	-	(26,902,397)	(26,205,316)	(53,107,713)
Balance as of December 31, 2020	P 19,047,893	(P 54,393,773)	(P 25,905,453)	(P 61,251,333)

In 2003, certain parcel of land located in Quezon City, classified as property and equipment, was appraised by independent appraisers and resulted in revaluation increment of P19.0 million. In 2007, upon change of the intention of the management, such parcel of land was transferred from property and equipment to investment property at the appraised amount of P30.4 million. As of December 31, 2022, the parcel of land is held by the management for capital appreciation. The amount of revaluation reserves of the land remains to be recognized under equity until the land is derecognized.

28.3 Unrestricted Retained Earnings

In meetings held on December 23, 2013 and October 8, 2012, the Parent Company's BOD approved the appropriation of the unrestricted retained earnings of the Parent Company amounting to P500.0 million and P700.0 million, respectively, necessary to cover the business expansion of the Group as part of its long term corporate strategy. Relative to this, the Group was able to complete two additional buildings under similar nature and purpose of its existing investment properties in 2017 and 2018. Also in 2018, the Group commenced the construction of a new building, which was completed in 2020. As of December 31, 2022, the Group has two additional ongoing projects for leasing activities, which are expected to be completed on various dates until 2024. Accordingly, the management has retained the appropriation until the expected completion of the on-going development of its most recent projects, which shall add to its existing portfolio of investment properties.

As a matter of policy, stockholders may be entitled to receive, upon declaration by the Parent Company's BOD and subject to the availability of unrestricted retained earnings, dividends equivalent to at least 30% of the prior year's net income after tax based on the Parent Company's audited financial statements as of such year, except when: (i) justified by definite corporate expansion projects or programs approved by the Parent Company's BOD; (ii) when the Group is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Group, such as when there is a need for special reserves for probable contingencies. The Group's retained earnings are restricted up to the extent of its accumulated equity shares in its associates and joint ventures as of the end of the reporting periods (see Note 13).

The Parent Company's BOD approved the declaration of cash dividends of P0.061 per share or equivalent to P207.0 million in 2022, and P0.047 per share or equivalent to P160.0 million each reporting period in 2021 and 2020 out of its unrestricted retained earnings as of December 31, 2021, 2020 and 2019 to stockholders of records as of March 22, 2022, March 22, 2021 and March 11, 2020, respectively. Such dividends were fully paid in the same year of declaration.

Also in 2020, BAHI's BOD approved the declaration of cash dividends of P100 per share and P200 per share to its stockholders of records as of August 13, 2020. Of the total cash dividends, P200.0 million is attributable and fully paid to other shareholders of BAHI in 2020 (see Note 13.5). No similar declaration of dividends were made in 2022 and 2021.

Subsequently, in March 2023, the Parent Company's BOD approved the declaration of cash dividends, which shall be taken out of the unrestricted earnings of the Parent Company as of December 31, 2022 (see Note 32).

28.4 Other Reserves

Other Reserves account in the consolidated statements of financial position includes the excess of the consideration paid by the Group for the additional 40% direct ownership in FI and the excess minority share in net assets of UCTPI over the cost of additional investments acquired by the Group in previous years which amounted to P297.4 million and P21.4 million, respectively.

29. COMMITMENTS AND CONTINGENCIES

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

29.1 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 periods are as follows:

	2022	2021	2020
Within one year	**P 1,226,485,449**	P 1,012,135,869	P 1,125,340,220
After one year but not more than two years	**1,110,266,789**	827,493,840	1,116,198,259
After two years but not more than three years	**992,856,921**	681,549,765	789,636,576
After three years but not more than four years	**921,502,544**	599,984,911	599,029,983
After four years but not more than five years	**733,241,663**	570,284,221	508,305,072
More than five years	**36,932,416,756**	31,381,180,770	31,861,464,258
	P41,916,770,122	P35,072,629,376	P35,999,974,368

The total rent income recognized on investment properties amounted to P1,818.4 million, P1,779.0 million and P1,787.6 million, including rent income resulting from the application of the straight-line basis of revenue recognition in accordance with PFRS 16 amounting to P552.6 million, P462.0 million and P500.5 million in 2022, 2021 and 2020, respectively, and are presented as Land and Building Rentals under Revenues account in the consolidated statements of profit or loss.

Variable rent, which pertains to a certain percentage share in the lessees' revenues, is included as part of total rent income amounting to P28.8 million, P24.5 million and P22.0 million in 2022, 2021 and 2020, respectively.

The Group is subject to risks associated with the rights it retains in the properties it leases, such as alterations made by the lessee that may impair the value of the leased properties. To manage the exposure on such risks, the Group exercises strict control over the fit-out process and no alterations are allowed to be made without prior approval of the Group. The Group also requires security deposits and advance rentals equivalent to at least three months of rent. Moreover, the Group retains its right to inspect the leased properties over the lease term. In case of expiration of lease term or early termination due to the default of the lessee, the Group is entitled to the improvements installed on the leased properties without any obligation to reimburse the lessee for the costs of improvements.

29.2 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.

29.3 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 December 31, 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.

29.4 Capital Commitments in Aseana City

Aseana City is an integrated community currently being developed by the Group, which is situated on the land reclaimed by the Group and home of several entertainment, commercial and residential establishments. The Group has capital commitments pertaining to the estimated development costs (i.e., civic and structural works; power, water and telecommunication distribution systems; roadworks and streetlights; drainage and sewerage systems; and, the estimated restoration costs thereto) of such parcels of land whereby the Group has an unconditional obligation to complete the development of the parcels of land in accordance with the entire estate of Aseana City. The estimated liability for land development costs is based on the estimates of the engineering department of the Parent Company. The details of these capital commitments in Aseana City are shown below.

	Land and Land Development Costs (see Note 11)	Land under Investment Properties (see Note 15)	Total
December 31, 2022:			
Gross valuation	P 2,496,743,857	P15,979,130,617	P 18,475,874,474
Estimated liability for land development costs	(792,812,242)	(5,405,837,691)	(6,198,649,933)
Net amounts	**P 1,703,931,615**	**P10,573,292,926**	**P 12,277,224,541**
December 31, 2021:			
Gross valuation	P 2,970,048,253	P15,619,133,351	P 18,589,181,604
Estimated liability for land development costs	(889,891,550)	(5,617,337,844)	(6,507,229,394)
Net amounts	P 2,080,156,703	P10,001,795,507	P 12,081,952,210

The movements in the estimated land development costs are as follows:

	2022	2021
Balance at beginning of year	**P 6,507,229,394**	P 6,592,952,706
Development costs incurred during the year	**(308,579,461)**	(85,723,312)
Balance at end of year	**P 6,198,649,933**	P 6,507,229,394

29.5 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 issuance of the Group's consolidated financial statements. 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 December 31, 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.

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

	Notes	2022	2021
Total loans and borrowings	18	**P 3,181,500,000**	P 3,282,350,000
Less: Cash and cash equivalents	8	**(5,594,474,547)**	(5,665,952,194)
Net loans and borrowings (a)		**(2,412,974,547)**	(2,383,602,194)
Total equity		**26,173,216,027**	24,224,178,117
Net loans and borrowings and equity (b)		**P23,760,241,480**	P21,840,575,923
Gearing ratio (a/b)		**-10%**	-11%

Certain loans with a local bank are subject to a cross default arrangement wherein if the Group fails to pay or default in the payments of any installment of the principal or interest, the Group's obligation will become due and demandable without the need for notice of demand for payment. Moreover, if the Group fails to comply with or commits breach or violation of any term, condition or stipulation of any other agreement, contract, or document with the lending bank, the Group's obligation to the lending bank and any of the lending bank's related parties will only become due and demandable upon notice of demand for payment.

As of December 31, 2022 and 2021, the Group is in compliance with the loan covenants (see Note 18).

31. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

The following discusses the supplemental information on non-cash activities as presented in the consolidated statements of cash flows for the years ended December 31, 2022, 2021 and 2020:

- In 2022, the Group reclassified a certain parcel of land which was previously presented under Land and Land Development Costs to Investment Properties amounting to P428.6 million (see Notes 11 and 15). There was no similar transaction in 2021 and 2020.

- In 2022 and 2021, the capitalized borrowing costs to investment properties and property development costs amounted to P105.6 million and P53.7 million, respectively (see Notes 10, 15 and 18). There was no similar transaction in 2020.

- In 2022 and 2021, the Group capitalized certain portion of amortization of right-of-use asset amounting to P5.5 million, P10.4 million, and interest expense on lease liability amounting to P0.1 million and P0.7 million, respectively, as part of property development costs (see Notes 10 and 16). There was no similar transaction in 2020.

- In 2022, the Group and its lessor agreed for a lease modification which resulted in the remeasurement of the right-of-use asset and lease liability amounting to P9.7 million. In 2021, the Group recognized right-of-use assets and lease liabilities both amounting to P379.3 million (see Note 16). There were no similar transactions in 2020.

- In 2022, 2021, and 2020, the Group capitalized certain portion of depreciation of property and equipment amounting to P13.1 million, P22.6 million, and P39.3 million, respectively, as part of land and land development costs [see Notes 2.5(a) and 14].

- In 2020, Advances from a Co-joint Venturer amounting to P40.0 million was reclassified as part of Advances from and Due to Related Parties due to the assumption of the liability by the Ultimate Parent Company (see Note 26.2). There was no similar transaction in 2022 and 2021.

32. EVENT AFTER THE END OF THE REPORTING PERIOD

On March 15, 2023, the Parent Company's BOD approved the declaration of cash dividends of P0.07497358 per share or equivalent to P254.6 million to stockholders of record as of March 30, 2023. The dividends which is payable on April 5, 2023, shall be taken out of the unrestricted earnings of the Parent Company as of December 31, 2022 (see Note 28.3).

P&A Grant Thornton

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
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The Board of Directors and Stockholders
D.M. Wenceslao & Associates, Incorporated and Subsidiaries
(A Subsidiary of Wendel Holdings Co., Inc.)
15th Floor, Aseana 3
D. Macapagal Blvd. corner Asean Ave., Aseana City
Parañaque City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of D.M. Wenceslao & Associates, Incorporated and Subsidiaries (the Group) for the year ended December 31, 2022, on which we have rendered our report dated March 15, 2023. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: John Endel S. Mata
Partner

CPA Reg. No. 0121347
TIN 257-622-627
PTR No. 9566637, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 121347-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-040-2019 (until Jan. 24, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 15, 2023

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

**Information presented herein are based on the separate financial statements of D.M. Wenceslao & Associates, Incorporated*

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D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule A - Financial Assets
December 31, 2022
(Amounts in Philippine Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount	Amount Shown in the Consolidated Statement of Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
FINANCIAL ASSETS AT AMORTIZED COST				
Cash and cash equivalents		P 5,594,474,547	P 5,594,474,547	P 53,849,109
Receivables - net		6,603,299,122	6,603,299,122	-
Refundable deposits		35,844,973	35,844,973	-
		12,233,618,642	12,233,618,642	53,849,109
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Equity Securities				
Arthaland Corporation	350,000	35,700,000	35,700,000	-
Petron Corporation	7,500	7,612,500	7,612,500	-
San Miguel Corporation	50,000	5,000,000	5,000,000	-
Ayala Corporation	50,000	5,000,000	5,000,000	-
Debt Security				
P1B Global Holdings PTE Ltd.	5,289,370	5,303,290	5,303,290	-
		58,615,790	58,615,790	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Equity Securities				
Powersource Philippine Distributed Power Holdings, Inc.	72,453,780	38,489,827	38,489,827	-
Tagaytay Highland International Golf Club Inc.	1	1,425,000	1,425,000	-
Tagaytay Midland Golf Club	1	1,550,000	1,550,000	-
Quezon City Sport Club	1	600,000	600,000	-
Alphaland City Club	1	450,000	450,000	-
Philippine Long Distance Telephone Company	1	4,363	4,363	-
Philippine Construction Association	1	1,000	1,000	-
		42,520,190	42,520,190	-
GRAND TOTAL		**P 12,334,754,622**	**P 12,334,754,622**	**P 53,849,109**

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D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022
(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected/Offset	Amounts Written-off	Current	Not Current	
Amounts Receivable from Related Parties							
Wendel Holdings Co., Inc.	P 473,211,213	P 32,662,000	P 20,866,701	P -	P 485,006,512	P -	P 485,006,512
Stockholders	97,113,470	4,524,993	-	-	101,638,463	-	101,638,463
Wendel Vega Marine Carrier	96,719,744	-	54,576,719	-	42,143,025	-	42,143,025
Bay Resources and Development Corporation	37,583,941	-	-	-	37,583,941	-	37,583,941
Wendel Ground Improvement, Inc	25,388,562	-	-	-	25,388,562	-	25,388,562
Urban Agro Products, Inc.	20,254,657	-	128,000	-	20,126,657	-	20,126,657
Wendel Construction Co., Inc.	13,220,530	-	8,063,503	-	5,157,027	-	5,157,027
European Resources & Technologies, Inc.	7,557,728	1,797	-	-	7,559,525	-	7,559,525
Bay Security Services, Inc.	4,915,018	-	8,991	-	4,906,027	-	4,906,027
10k South Concrete Mix	4,827,265	-	-	-	4,827,265	-	4,827,265
Wendel Osaka Realty Corporation	1,694,022	-	17,483	-	1,676,539	-	1,676,539
Aseana CL, Beach and Marina	1,037,961	-	174,489	-	863,472	-	863,472
Aseana Power Station Association, Inc.	818,930	-	-	-	818,930	-	818,930
Cagayan Economic Development	750,000	-	-	-	750,000	-	750,000
Cagayan Valley Bio Energy	539,500	-	-	-	539,500	-	539,500
Aseana Urban Art Foundation	270,434	-	-	-	270,434	-	270,434
Patriot Log Home Asia, Inc.	80,726	-	-	-	80,726	-	80,726
Others	22,375,146	8,650,923	-	-	31,026,069	-	31,026,069
TOTAL	**P 808,358,847**	**P 45,839,713**	**P 83,835,886**	**P -**	**P 770,362,674**	**P -**	**P 770,362,674**

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D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2022
(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Amounts Written-off	Current	Not Current	
Amounts Receivable from Related Parties Eliminated During Consolidation:							
Boracay International Airport & Dev't Corp.	P 48,979,401	P -	P 112,114	P -	P 48,867,287	P -	P 48,867,287
Alphaland Bay City Corporation	41,872,046	1,200	274,685	-	41,598,561	-	41,598,561
Aseana Holdings, Inc.	17,817,611	-	213,561	-	17,604,050	-	17,604,050
Aseana City Transport & Travel Corp.	9,901,522	-	-	-	9,901,522	-	9,901,522
Aseana Real Estate Services & Management Corp	8,094,364	1,051,635	1,382,432	-	7,763,567	-	7,763,567
Fabricom Realty Development Corporation	6,356,053	-	86,740	-	6,269,313	-	6,269,313
R-1 Consortium, Inc.	6,058,856	-	86,842	-	5,972,014	-	5,972,014
Aseana Resi Rent Corp.	2,277,306	-	-	-	2,277,306	-	2,277,306
Bay Dredging, Inc.	1,560,525	-	139,697	-	1,420,828	-	1,420,828
Mandaue Land Consortium, Inc.	1,012,559	2,049	371,671	-	642,937	-	642,937
Aseana Gas Energy Corp.	657,451	-	-	-	657,451	-	657,451
SHLP BBP Realty, Inc.	529,734	2,879	186,930	-	345,683	-	345,683
58 Jupiter Inc.	279,731	-	-	-	279,731	-	279,731
Portal Holdings, Inc.	222,880	5,011,630	924,944	-	4,309,566	-	4,309,566
Others	161,772	313,121	448,077	-	26,816	-	26,816
	P 145,781,811	**P 6,382,514**	**P 4,227,693**	**P -**	**P 147,936,632**	**P -**	**P 147,936,632**

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D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule D - Long-term Debt
December 31, 2022
(Amounts in Philipine Pesos)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Consolidated Statement of Financial Position	Amount Shown Under Caption"Long-term Debt" in related Consolidated Statement of Financial Position
Security Bank of the Philippines			
Loans payable		P 1,000,000,000	P 1,388,888,889
BDO Unibank, Inc.			
Term loan		111,111,111	-
Bank of the Philippine Islands			
Term loan		83,333,333	416,666,667
BPI Family Savings Bank			
Term loan		75,000,000	106,500,000
TOTAL		**P 1,269,444,444**	**P 1,912,055,556**

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule E - Indebtedness to Related Parties (Non-current Liabilities)
December 31, 2022
(Amounts in Philippine Pesos)

Name of Related Party	Balance at Beginning of Period	Balance at End of Period	Purpose

Not Applicable

The Group does not have non-current indebtedness to related parties as at Decmber 31, 2022.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2022
(Amounts in Philipine Pesos)

Name of Issuing Entity of Securities Guaranteed by the Company for which This Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which This Statement is Filed	Nature of Guarantee

Not Applicable

The Group does not have any guarantee of securities of Other Issuers as at December 31, 2022.

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D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule G - Capital Stock

December 31, 2022

(Amounts in Philippine Pesos)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common shares, P1.00 Par Value	4,000,000,000	3,395,864,100	-	2,715,353,627	22,357	680,488,116

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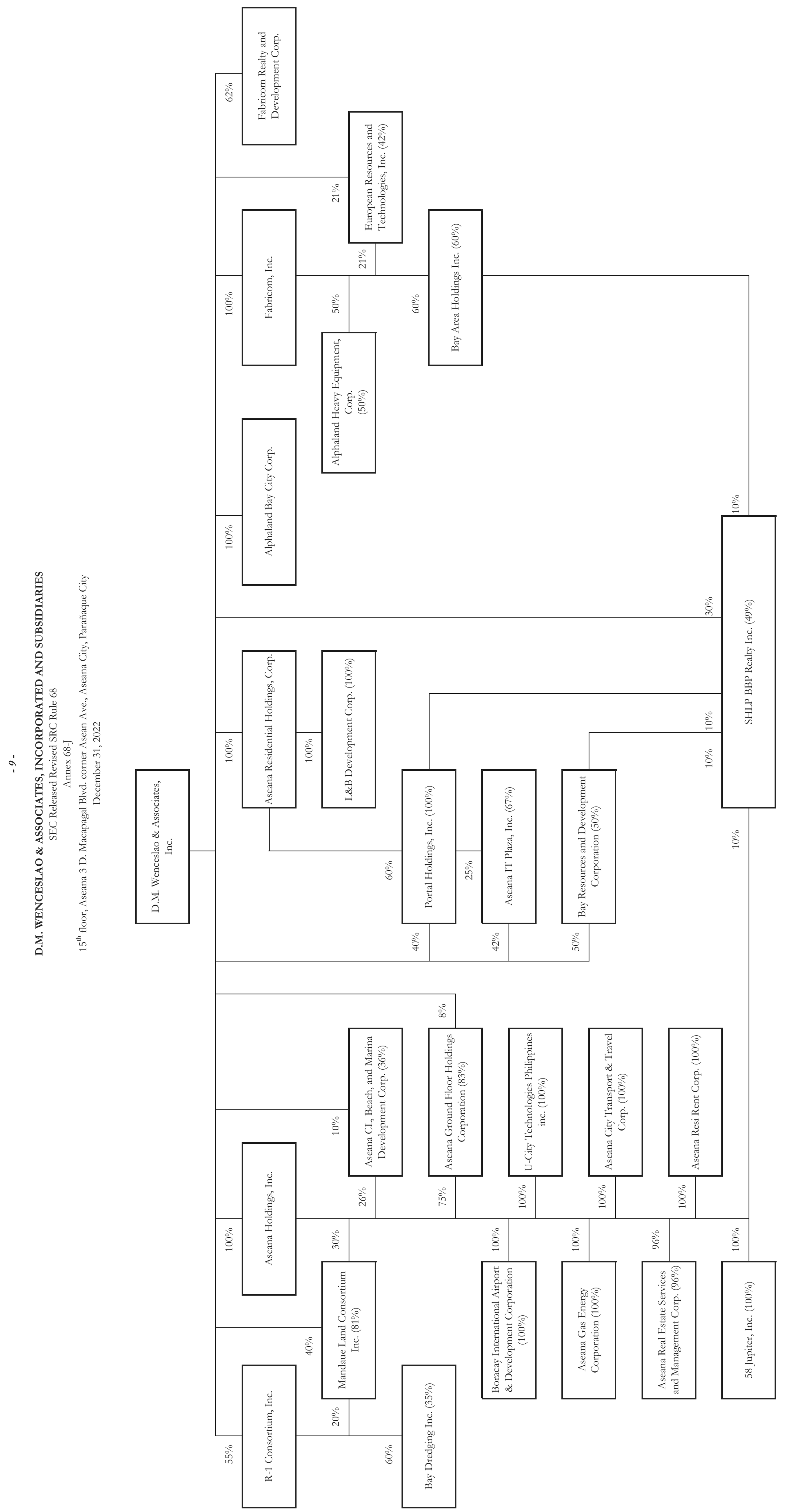
D. M. WENCESLAO & ASSOCIATES, INCORPORATED
15th Floor, Aseana 3
D. Macapagal Blvd. corner Asean Ave., Aseana City, Parañaque City

Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2022

Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year	P	9,831,329,104
Rent income based on Philippine Financial Reporting Standard (PFRS), 16, Leases	(	4,412,362,804)
Deferred tax income from deferred tax assets	(	102,401,668)
Revaluation increment on land	(	19,047,893)
Unrealized foreign currency gains	(	323,635)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year (As Adjusted)		5,297,193,104
Net Profit Realized During the Year		
Net profit per audited financial statements		1,238,379,717
Non-actual/unrealized income:		
Accrued rent income based on PFRS 16, Leases	(	517,735,231)
Net deferred tax income from deferred tax assets	(	24,614,662)
		696,029,824
Other Transactions During the Year		
Cash dividends declared	(	206,960,973)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**5,786,261,955**



P&A Grant Thornton

Report of Independent Auditors on Components of Financial Soundness Indicators

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Philippines

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The Board of Directors and Stockholders
D.M. Wenceslao & Associates, Incorporated and Subsidiaries
(A Subsidiary of Wendel Holdings Co., Inc.)
15th Floor, Aseana 3
D. Macapagal Blvd. corner Asean Ave., Aseana City
Parañaque City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of D.M. Wenceslao & Associates, Incorporated and Subsidiaries (the Group) for the year ended December 31, 2022 and 2021, on which we have rendered our report dated March 15, 2023. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2022 and 2021, and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: John Endel S. Mata
Partner

CPA Reg. No. 0121347
TIN 257-622-627
PTR No. 9566637, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 121347-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002551-040-2019 (until Jan. 24, 2026)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 15, 2023

D.M. WENCESLAO AND ASSOCIATES, INC.
Supplemental Schedule of Financial Soundness Indicators
December 31, 2022 and 2021

Ratio	Formula	2022	Formula	2021
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 13,572,337,229 Divide by: Total Current Liabilities 8,302,500,868 Current ratio 1.63	1.63	Total Current Assets divided by Total Current Liabilities Total Current Assets 14,049,443,598 Divide by: Total Current Liabilities 8,407,529,857 Current ratio 1.67	1.67
Acid test ratio	Quick assets (Total Current Assets less Other Current Assets) divided by Total Current Liabilities Total Current Assets 13,572,337,229 Less: Contract Assets (199,489,733) Land and land Development Costs (1,703,931,615) Property Development Costs (1,820,603,113) Other Current Assets (1,605,133,813) Quick Assets 8,243,178,955 Divide by: Total Current Liabilities 8,302,500,868 Acid test ratio 0.99	0.99	Quick assets (Total Current Assets less Other Current Assets) divided by Total Current Liabilities Total Current Assets 14,049,443,598 Less: Contract Assets (33,217,659) Land and land Development Costs (2,080,156,703) Property Development Costs (1,589,013,035) Other Current Assets (1,367,905,540) Quick Assets 8,979,150,661 Divide by: Total Current Liabilities 8,407,529,857 Acid test ratio 1.07	1.07
Solvency ratio	Total Assets divided by Total Liabilities Total Assets 38,644,532,940 Divide by: Total Liabilities 12,471,316,913 Solvency ratio 3.10	3.10	Total Assets divided by Total Liabilities Total Assets 36,983,483,403 Divide by: Total Liabilities 12,759,305,286 Solvency ratio 2.90	2.90
Debt-to-equity ratio	Total Loans and Borrowings divided by Total Equity Attributable to Owners of Parent Company Total Loans and Borrowings 3,181,500,000 Divide by: Total Equity Attributable to Owners of Parent Company 25,551,728,115 Debt-to-equity ratio 0.12	0.12	Total Loans and Borrowings divided by Total Equity Attributable to Owners of Parent Company Total Loans and Borrowings 3,282,350,000 Divide by: Total Equity Attributable to Owners of Parent Company 23,623,008,150 Debt-to-equity ratio 0.14	0.14
Assets-to-equity ratio	Total Assets divided by Total Equity Attributable to Owners of Parent Company Total Assets 38,644,532,940 Divide by: Total Equity Attributable to Owners of Parent Company 25,551,728,115 Asset-to-equity ratio 1.51	1.51	Total Assets divided by Total Equity Attributable to Owners of Parent Company Total Assets 36,983,483,403 Divide by: Total Equity Attributable to Owners of Parent Company 23,623,008,150 Asset-to-equity ratio 1.57	1.57
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Total Interest EBIT 2,849,492,770 Divide by: Total Interest * 117,279,326 Interest rate coverage ratio 24.30	24.30	Earnings before interest and taxes (EBIT) divided by Total Interest EBIT 2,535,133,019 Divide by: Total Interest * 73,263,907 Interest rate coverage ratio 34.60	34.60

** Includes interest expense and capitalized interest from bank loans*

Ratio	Formula	2022	Formula	2021
Return on equity	Net Profit divided by Average Total Equity Net Profit 2,141,985,354 Divide by: Average Total Equity 25,198,697,072 Return on equity 0.09	0.09	Net Profit divided by Average Total Equity Net Profit 2,090,933,569 Divide by: Average Total Equity 23,254,231,502 Return on equity 0.09	0.09
Return on assets	Net Profit divided by Average Total Assets Net Profit 2,141,985,354 Divide by: Average Total Assets 37,814,008,172 Return on assets 0.06	0.06	Net Profit divided by Average Total Assets Net Profit 2,090,933,569 Divide by: Average Total Assets 34,920,252,453 Return on assets 0.06	0.06
Net profit margin	Net Profit divided by Total Revenue Net Profit 2,141,985,354 Divide by: Total Revenue 4,220,264,810 Net profit margin 0.52	0.52	Net Profit divided by Total Revenue Net Profit 2,090,933,569 Divide by: Total Revenue 3,446,712,914 Net profit margin 0.61	0.61
Debt Ratio	Total Loans and Borrowings divide by Total Assets Total Loans and Borrowings 3,181,500,000 Divide by: Total Assets 38,644,532,940 Debt ratio 0.08	0.08	Total Loans and Borrowings divide by Total Assets Total Loans and Borrowings 3,282,350,000 Divide by: Total Assets 36,983,483,403 Debt ratio 0.09	0.09
Gross Profit Margin	Gross Profit divided by Total Revenue Gross Profit 3,245,380,037 Divide by: Total Revenue 4,220,264,810 Gross profit margin 0.77	0.77	Gross Profit divided by Total Revenue Gross Profit 2,848,359,647 Divide by: Total Revenue 3,446,712,914 Gross profit margin 0.83	0.83

Corporate Information

Our common shares are traded on the Philippine Stock Exchange under the stock ticker symbol DMW.

Investor Relations Office

D.M. Wenceslao & Associates, Incorporated
15th Floor, Aseana 3 Building,
Pres. D. Macapagal Boulevard corner Asean Avenue,
Parañaque City, Metro Manila, Philippines
Tel: +632 8854 5711
Email: iro@dmwai.com

For inquiries about dividend payments, or to report a change of address or lost stock certificate, or to request account information changes, please contact our stock transfer agent:

RCBC Stock Transfer Processing Section

G/F Grepalife Bldg., 219 Sen. Gil Puyat Ave., Makati City, Metro Manila
Tel: +632 8894 9000 locals 3690, 3691, 3693, 3694
Fax: +632 8892 3139
Email: rcbcstocktransfer@rcbc.com

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Portraiture: Carla Barretto Productions
Operational Photography: Angelo Carpio and Van Rafael Libao
Printer: Primex Printers

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