

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2023**
2. Commission identification number **26986**
3. BIR Tax Identification No **000-846-618-000**
4. Exact name of issuer as specified in its charter **D.M. Wenceslao & Associates, Incorporated**
5. Province, country or other jurisdiction of incorporation or organization **Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office and postal Code
15th Floor, Aseana 3, D. Macapagal Blvd. corner Asean Ave., Aseana City, Paranaque City
8. Issuer's telephone number, including area code: **(632) 8854-5711**
9. Former name, former address and former fiscal year, if changed since last report: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

As of September 30, 2023

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

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

Yes [x] No []

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

Stock Exchange: **Philippine Stock Exchange**

Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

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

Yes [x] No []

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

Yes [x] No []

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND DECEMBER 31, 2022
(Amounts in Philippine Pesos)

| Notes | September 30, 2023 (UNAUDITED) | December 31, 2022 (AUDITED) |
|---|--------------------------------------|-----------------------------------|
| <u>A S S E T S</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 7 P 5,151,507,037 | P 5,594,474,547 |
| Receivables - net | 8 2,823,277,532 | 2,648,704,408 |
| Contract asset | 765,540,518 | 199,489,733 |
| Land and land development costs | 10 1,765,534,208 | 1,703,931,615 |
| Property development costs | 9 2,125,662,316 | 1,820,603,113 |
| Other current assets | 11 1,699,099,679 | 1,605,133,813 |
| Total Current Assets | <u>14,330,621,290</u> | <u>13,572,337,229</u> |
| NON-CURRENT ASSETS | | |
| Receivables | 8 4,653,065,847 | 4,365,970,639 |
| Contract Asset | 620,843,037 | 620,843,037 |
| Investments in associates and joint venture | 12 149,388,055 | 128,629,011 |
| Property and equipment - net | 13 325,306,781 | 330,236,572 |
| Investment properties - net | 14 21,244,784,265 | 18,994,980,313 |
| Deferred tax assets | 9,479 | 573,307 |
| Other non-current assets | 16 467,743,303 | 630,962,832 |
| Total Non-current Assets | <u>27,461,140,767</u> | <u>25,072,195,711</u> |
| TOTAL ASSETS | P 41,791,762,057 | P 38,644,532,940 |

| | Notes | September 30, 2023 (UNAUDITED) | December 31, 2022 (AUDITED) |
|--|-------|--------------------------------------|-----------------------------------|
| <u>LIABILITIES AND EQUITY</u> | | | |
| CURRENT LIABILITIES | | | |
| Loans and borrowings | 17 | P 1,269,444,444 | P 1,269,444,444 |
| Trade and other payables | 18 | 3,042,339,981 | 2,093,508,346 |
| Contract liability | | 149,838,297 | 264,578,852 |
| Advances from related parties | 23 | 3,985,535,216 | 4,060,258,654 |
| Deposits and advances | 19 | 672,022,385 | 555,015,287 |
| Lease liabilities | 15 | 40,831,753 | 42,581,242 |
| Income tax payable | | 32,273,760 | 17,114,043 |
| Total Current Liabilities | | <u>9,192,285,836</u> | <u>8,302,500,868</u> |
| NON-CURRENT LIABILITIES | | | |
| Loans and borrowings | 17 | 1,855,805,556 | 1,912,055,556 |
| Contract liability | | 122,606,445 | 122,606,445 |
| Deposits and advances | 19 | 449,112,843 | 520,435,301 |
| Deferred tax liabilities - net | | 1,283,413,678 | 1,113,470,745 |
| Lease liabilities | 15 | 1,678,770,851 | 481,947,674 |
| Retirement benefit obligation - net | | 17,193,324 | 18,300,324 |
| Total Non-current Liabilities | | <u>5,406,902,697</u> | <u>4,168,816,045</u> |
| Total Liabilities | | <u>14,599,188,533</u> | <u>12,471,316,913</u> |
| EQUITY | | | |
| Equity attributable to holders of the parent company | | | |
| Capital stock | 25 | 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) | (38,278,610) |
| Other reserves | | (275,974,845) | (275,974,845) |
| Retained earnings | | 16,513,281,809 | 15,505,467,663 |
| Total equity attributable to holders of the parent company | | <u>26,559,542,261</u> | <u>25,551,728,115</u> |
| Noncontrolling interest | | <u>633,031,263</u> | <u>621,487,912</u> |
| Total Equity | | <u>27,192,573,524</u> | <u>26,173,216,027</u> |
| TOTAL LIABILITIES AND EQUITY | | <u><u>P 41,791,762,057</u></u> | <u><u>P 38,644,532,940</u></u> |

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

| | Notes | July 1 to August 31, 2023 | January to September 30, 2023 | July 1 to August 30, 2022 | January to September 30, 2022 |
|---|--------|------------------------------|----------------------------------|------------------------------|----------------------------------|
| REVENUES | | | | | |
| Rentals: | | | | | |
| Land | 14 | P 299,376,075 | P 896,061,981 | P 248,335,607 | P 736,434,707 |
| Building | 14 | 275,628,782 | 695,461,188 | 182,073,486 | 580,810,712 |
| Other revenues | | 86,309,127 | 241,774,524 | 57,963,733 | 277,632,892 |
| | | <u>661,313,984</u> | <u>1,833,297,693</u> | <u>488,372,826</u> | <u>1,594,878,311</u> |
| Land sales | | - | - | - | 787,600,000 |
| Sale of condominium units | 9 | 123,307,340 | 826,866,733 | 334,807,206 | 801,050,046 |
| Construction contracts | | 11,968,558 | 150,729,289 | - | - |
| | | <u>796,589,882</u> | <u>2,810,893,715</u> | <u>823,180,032</u> | <u>3,183,528,357</u> |
| COSTS OF SERVICES AND SALES | | | | | |
| Rentals | 20 | 118,650,670 | 353,177,183 | 105,558,700 | 274,917,484 |
| Land sales | 10 | - | - | - | 55,212,604 |
| Sale of condominium units | 9, 20 | 51,834,057 | 343,620,527 | 141,869,851 | 343,780,692 |
| Construction contracts | 20 | 10,697,840 | 136,828,659 | - | - |
| | | <u>181,182,567</u> | <u>833,626,369</u> | <u>247,428,551</u> | <u>673,910,780</u> |
| GROSS PROFIT | | <u>615,407,315</u> | <u>1,977,267,346</u> | <u>575,751,481</u> | <u>2,509,617,577</u> |
| OTHER OPERATING INCOME (EXPENSES) | | | | | |
| General and administrative | 22 | (166,347,997) | (427,196,009) | (123,583,099) | (344,432,146) |
| Selling | 22 | (24,246,213) | (78,464,129) | (22,502,722) | (88,669,744) |
| Other Operating Income | 21 | 32,283,525 | 108,955,359 | 57,027,737 | 100,380,760 |
| | | <u>(158,310,685)</u> | <u>(396,704,779)</u> | <u>(89,058,084)</u> | <u>(332,721,130)</u> |
| OPERATING PROFIT | | <u>457,096,630</u> | <u>1,580,562,567</u> | <u>486,693,397</u> | <u>2,176,896,447</u> |
| OTHER INCOME (CHARGES) | | | | | |
| Finance costs | 17, 21 | (18,933,096) | (44,802,100) | (13,718,565) | (41,188,006) |
| Finance income | 7, 21 | 26,911,268 | 76,568,978 | 12,728,460 | 23,758,657 |
| Share in net income of associates and joint ventures | | 3,978,302 | 10,759,045 | 2,394,454 | 14,677,695 |
| Dividend Income | | 519,570 | 1,989,574 | 215,432 | 1,685,436 |
| | | <u>12,476,044</u> | <u>44,515,497</u> | <u>1,619,781</u> | <u>(1,066,218)</u> |
| PROFIT BEFORE TAX | | <u>469,572,674</u> | <u>1,625,078,064</u> | <u>488,313,178</u> | <u>2,175,830,229</u> |
| TAX EXPENSE | | <u>120,388,554</u> | <u>351,120,478</u> | <u>105,469,039</u> | <u>446,716,477</u> |
| NET PROFIT | | <u>P 349,184,120</u> | <u>P 1,273,957,586</u> | <u>P 382,844,139</u> | <u>P 1,729,113,752</u> |
| Net profit attributable to: | | | | | |
| Equity holders of the parent company | | P 343,221,430 | P 1,262,414,231 | P 377,148,031 | P 1,712,049,034 |
| Noncontrolling interest | | 5,962,690 | 11,543,355 | 5,696,108 | 17,064,718 |
| | | <u>P 349,184,120</u> | <u>P 1,273,957,586</u> | <u>P 382,844,139</u> | <u>P 1,729,113,752</u> |
| TOTAL COMPREHENSIVE INCOME | | <u>P 349,184,120</u> | <u>P 1,273,957,586</u> | <u>P 382,844,139</u> | <u>P 1,729,113,752</u> |
| Earnings Per Share - Basic and Diluted | 25 | <u>P 0.10</u> | <u>P 0.37</u> | <u>P 0.11</u> | <u>P 0.50</u> |

See Notes to Condensed Consolidated Interim Financial Statements.

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D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

| Note | Attributable to Owners of the Parent Company | | | | | | | | Noncontrolling Interest | Total Equity |
|---|--|----------------------------|----------------------------|--------------------------|-------------------------|------------------------|-------------------------|----------------------|-------------------------|--------------|
| | Capital Stock | Additional Paid-in Capital | Revaluation Reserves - Net | Other Reserves | Retained Earnings | | Total | | | |
| | | | | | Unappropriated | Appropriated | | | | |
| Balance at January 1, 2023 | P 3,395,864,100 | P 6,964,649,807 | (P 38,278,610) | (P 275,974,845) | P 14,305,467,667 | P 1,200,000,000 | P 25,551,728,119 | P 621,487,912 | P 26,173,216,027 | |
| Cash dividends declared | - | - | - | - | (254,600,089) | - | (254,600,089) | - | (254,600,089) | |
| Total comprehensive income for the period | - | - | - | - | 1,262,414,231 | - | 1,262,414,231 | 11,543,355 | 1,273,957,586 | |
| Balance at September 30, 2023 | P 3,395,864,100 | P 6,964,649,807 | (P 38,278,610) | (P 275,974,845) | P 15,313,281,809 | P 1,200,000,000 | P 26,559,542,261 | P 633,031,268 | P 27,192,573,524 | |
| Balance at January 1, 2022 | 3,395,864,100 | 6,964,649,807 | (P 52,292,139) | (P 275,974,845) | P 12,390,761,227 | 1,200,000,000 | P 23,623,008,150 | P 601,169,967 | P 24,224,178,117 | |
| Cash dividends declared | - | - | - | - | (206,960,973) | - | (206,960,973) | - | (206,960,973) | |
| Total comprehensive income for the period | - | - | - | - | 1,712,049,034 | - | 1,712,049,034 | 17,064,718 | 1,729,113,752 | |
| Balance at September 30, 2022 | P 3,395,864,100 | P 6,964,649,807 | (P 52,292,139) | (P 275,974,845) | P 13,895,849,288 | P 1,200,000,000 | P 25,128,096,211 | P 618,234,685 | P 25,746,330,896 | |

See Notes to Condensed Consolidated Interim Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

| | Notes | 2023 | 2022 |
|--|----------|-------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | P 1,625,078,064 | P 2,175,830,229 |
| Adjustments for: | | | |
| Depreciation and amortization | 13,14,15 | 197,153,854 | 185,743,354 |
| Finance costs | 21 | 44,857,426 | 41,131,241 |
| Interest income | 21 | (76,568,978) | (19,946,683) |
| Share in net earnings of associates and joint ventures | | (10,759,045) | (14,677,695) |
| Unrealized foreign currency gain - net | | - | 3,811,974 |
| Operating profit before working capital changes | | 1,779,761,321 | 2,371,892,420 |
| Increase in receivables | | (500,522,877) | 43,437,619 |
| Increase in contract asset | | (566,050,785) | (379,494,937) |
| Decrease (Increase) in land and land development costs | | (43,757,597) | (12,014,630) |
| Increase (Decrease) in property development costs | | (305,059,203) | (162,314,749) |
| Increase (Decrease) in other assets | | (79,086,294) | (356,391,125) |
| Increase (Decrease) in trade and other payables | | 917,832,416 | (41,607,965) |
| Increase in contract liability | | (114,740,555) | (33,357,473) |
| Increase (Decrease) in deposits and advances | | 45,684,640 | 70,943,195 |
| Increase in retirement benefit obligation | | 2,030,773 | 3,878,573 |
| Cash generated from operations | | 1,136,091,839 | 1,504,970,928 |
| Cash paid for income taxes | | - | (264,820,929) |
| Interest received | | 76,568,978 | 19,946,683 |
| Net Cash From Operating Activities | | 1,212,660,817 | 1,260,096,682 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Maturities in short-term placements | 11 | - | 291,000,000 |
| Construction in progress and development costs of investment properties | 10, 14 | (1,224,594,831) | (858,539,591) |
| Additional (Collection) advances to related parties | 23 | 38,854,545 | 34,112,915 |
| Acquisitions of property and equipment | 13 | (58,886,290) | (90,344,295) |
| Net Cash From in Investing Activities | | (1,244,626,576) | (623,770,971) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividend paid | 28 | (254,600,089) | (206,960,973) |
| Repayments of interest-bearing loans and borrowings | 17 | (56,250,000) | (82,100,000) |
| Repayments of lease liabilities | 15 | (18,647,867) | (374,006,000) |
| Finance costs paid | 21 | (6,780,229) | (9,309,235) |
| Obtained (Paid) advances from related parties | 23 | (74,723,566) | 1,873,425 |
| Net Cash Used Financing Activities | | (411,001,751) | (670,502,783) |
| Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents | | - | (3,811,974) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | (442,967,510) | (37,989,046) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | | 5,594,474,547 | 5,665,952,194 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | P 5,151,507,037 | P 5,627,963,148 |

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
NOTES TO CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022
(UNAUDITED)
(With Comparative Audited Figures as of December 31, 2022)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

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

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

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

DMWAI is a subsidiary of Wendel Holdings Co., Inc. (WHI or Ultimate Parent Company), a company incorporated and domiciled in the Philippines. WHI is presently engaged in raising investments either through borrowings, sale or lease of its capital assets. The effective percentage of ownership of WHI in DMWAI aggregates to 79.96% as of September 30, 2023 and December 31, 2022.

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

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

1.2 Subsidiaries, Associates and Joint Ventures

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

As of September 30, 2023 and December 31, 2022, the following summarizes the effective percentage of ownership or interest of DMWAI over these entities:

| Name of Subsidiaries/Associates/Joint Ventures | Explanatory Notes | Effective Percentage of Ownership/Interest | |
|--|-------------------|--|-------------------|
| | | September 30, 2023 | December 31, 2022 |
| Subsidiaries: | | | |
| <i>Direct:</i> | | | |
| Aseana Residential Holdings Corp. (ARHC) | (a) | 100.00% | 100.00% |
| Aseana Holdings, Inc. (AHI) | (b) | 99.98% | 99.98% |
| Fabricom, Inc. (FI) | (c) | 99.98% | 99.98% |
| Fabricom Realty Development Corporation (FRDC) | (d) | 62.20% | 62.20% |
| R-1 Consortium, Inc. (R-1) | (e) | 55.45% | 55.45% |
| Alphaland Bay City Corporation (ABCC) | (f) | 100.00% | 100.00% |
| <i>Direct and Indirect:</i> | | | |
| Portal Holdings, Inc. (PHI) | (g) | 100.00% | 100.00% |
| Mandaue Land Consortium, Inc. (MLCI) | (h) | 81.00% | 81.00% |
| Aseana I.T. Plaza, Inc. (AITPI) | (i) | 66.97% | 66.97% |
| SHLP BBP Realty, Inc. (SBRI) | (j) | 55.96% | 55.96% |
| Aseana Ground Floor Holdings Corp. (AGFHC) | (k) | 82.50% | 82.50% |
| <i>Indirect:</i> | | | |
| 58 Jupiter Inc. (formerly Reine, Inc.) (58 Jupiter) – 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 Estate Services Management Corp. (ARESM) | (r) | 95.98% | 95.98% |
| Bay Area Holdings, Inc. (BAHI) | (s) | 59.98% | 59.98% |
| Aseana Resi Rent Corp. (ARRC) | (t) | 100.00% | 100.00% |
| Associates: | | | |
| Alphaland Heavy Equipment, Corp. (AHEC) | (u) | 50.00% | 50.00% |
| European Resources and Technology, Inc. (ERTI) | (v) | 42.00% | 42.00% |
| Aseana CL, Beach and Marina Development Corporation (ACBMDC) | (w) | 36.00% | 36.00% |
| Joint venture – | | | |
| Bay Resources and Development Corporation (BRADCO) | (x) | 50.00% | 50.00% |

Notes:

- (a) Established to purchase, acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of, subject to limitations imposed by law, real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.
- (b) Established to engage in the business of owning, holding, exchanging, or otherwise disposing such items as real and personal properties, and securities such as stocks, bonds and to take part and assist in any legal matter for the purchase and sale of any securities as may be allowed by law without acting as or engaging in the business of an investment house, mutual fund or broker or dealer in securities.
- (c) Established to engage in the business of importation and marketing of heavy equipment, industrial equipment or any commercial products, which may be the object of commerce for the attainment of corporate objectives. As more fully discussed in Note 28.4, the increase in the Parent Company's effective percentage ownership in FI and BAHI is a result of a deed of exchange representing a business combination that is accounted for under pooling of interest method involving entities under common control.
- (d) Established to engage in housing and real estate development and selling and engaging in other related activities.
- (e) Established to engage in general construction and other allied businesses including constructing, enlarging, repairing, removing, developing, or otherwise engaging in any work upon building roads, highways, manufacturing plants, bridges, airfields, piers, docks, mines, masonry and earth construction, and to make, execute, bid for and take or receive any contracts or assignment of contracts in relation thereto.
- (f) ABCC was established to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures. As more fully discussed in Note 13.2(b), ABCC became a subsidiary of DMWAI starting in 2019.
- (g) DMWAI's effective interest is derived from its 40.00% direct ownership and 60.00% indirect holdings through ARHC. PHI was established to purchase, subscribe for, or otherwise acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.
- (h) DMWAI's effective interest is derived from its 40.00% direct ownership and 41.00% indirect holdings through AHI and R-1 which own 30.00% and 20.00%, respectively. MLCI was established to engage in general realty and other allied businesses including owning, improving, subdividing, developing, reclaiming, enlarging, repairing, constructing, exchanging, leasing and holding investment or otherwise, real estate and lands of all kinds and any buildings, houses and other structures.
- (i) DMWAI's effective ownership interest is derived from its 41.98% direct ownership and 24.99% indirect holdings through PHI. AITPI was established to engage in the business of owning, using, improving, developing, selling, exchanging, leasing, and holding for investment or otherwise, real estate of all kinds, including building houses, apartments and other structures, and related activities.
- (j) DMWAI's effective ownership is derived from its 29.98% direct ownership and 25.98% indirect holdings through AHI, BAHI and PHI which each owns 9.99% of SBRI. SBRI was established to engage in real estate development and engaging in other related activities.
- (k) 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)]. AGFHC 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, 2021, AHEC is currently in the process of liquidation (see Note 13.1).
- (v) Established to engage in collecting, segregating, recycling, composting, filling, disposing, treating or otherwise managing household, industrial and other kinds of garbage for local, or other government units and private persons and firms as well as extended guidance and education for proper waste management.
- (w) DMWAP's effective interest is derived from its 10.00% direct ownership and 26.00% indirect holdings through AHI. ACBMDC was established to engage in real estate business with marinas, cruise liner facilities and beach resorts in all its aspects; to acquire, rent or otherwise deal in and dispose of all kinds or real estate objects, involving commercial, industrial, urban, residential or other kinds of real property.
- (x) BRADCO was established to acquire, develop and market real estate properties [see Note 13.2(a)].

As of September 30, 2023, FRDC, R-1, MLCI, AITPI, SBRI, BIADC, AGEC and ACBMDC have not yet started commercial operations.

1.3 Approval of Condensed Consolidated Interim Financial Statements

The condensed consolidated interim financial statements of the Group as of and for the nine months ended September 30, 2023 (including the comparatives as of December 31, 2022 and for the nine months ended September 30, 2022) were approved and authorized for issue by the Parent Company's Chief Executive Officer (CEO) on November 9, 2023.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

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

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

(b) *SEC Financial Reporting Reliefs Availed by the Group*

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

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

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

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

| Relief | Description and Implication | Deferral Period |
|--|---|-------------------------|
| PIC Q&A No. 2018-12-D, <i>Concept of the significant financing component in the contract to sell</i> and PIC Q&A No. 2020-04, <i>Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and</i> | <p>PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.</p> <p>There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or</p> | Until December 31, 2023 |

| | | |
|---|--|--|
| <p><i>Schedule of Payments</i> <i>(continued)</i></p> | <p>the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.</p> <p>Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statements as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method. This will impact the retained earnings, real estate sales, and profit or loss in the year of adoption and comparative periods presented.</p> | |
|---|--|--|

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

(c) *Presentation of Consolidated Financial Statements*

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

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

(d) *Functional and Presentation Currency*

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the Group's last annual consolidated financial statements as of and for the year ended December 31, 2022.

4. SEGMENT REPORTING

4.1 *Business Segments*

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

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

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

4.2 *Segment Assets and Liabilities*

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

4.3 *Intersegment Transactions*

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

4.4 Analysis of Segment Information

Segment information is analyzed as follows for the nine months ended September 30, 2023 and 2022 (in thousands):

| | <u>Rentals</u> | | <u>Construction</u> | | <u>Sale of Land and Condominium Units</u> | | <u>Total</u> | |
|--|--------------------|--------------------|---------------------|------------------|---|--------------------|--------------------|--------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| REVENUES | | | | | | | | |
| Sales to external customers | P 1,833,298 | P 1,594,878 | P 150,729 | P - | P 826,867 | P 1,588,650 | P 2,810,894 | P 3,183,528 |
| Intersegment sales | <u>130,900</u> | <u>117,378</u> | <u>12,341</u> | <u>183,277</u> | <u>-</u> | <u>124,995</u> | <u>143,241</u> | <u>425,650</u> |
| Total revenues | <u>1,964,198</u> | <u>1,712,256</u> | <u>163,070</u> | <u>183,277</u> | <u>826,867</u> | <u>1,713,645</u> | <u>2,954,135</u> | <u>3,609,178</u> |
| COSTS AND OTHER OPERATING EXPENSES | | | | | | | | |
| Cost of sales and services excluding depreciation and amortization | 186,069 | 137,143 | 136,530 | - | 343,621 | 398,993 | 667,330 | 536,136 |
| Depreciation and amortization | 165,998 | 136,948 | 298 | - | - | - | 166,296 | 136,948 |
| Other expenses (income) – net | <u>172,106</u> | <u>86,239</u> | <u>6,345</u> | <u>5,013</u> | <u>8,722</u> | <u>53,159</u> | <u>187,173</u> | <u>144,411</u> |
| | <u>524,173</u> | <u>360,330</u> | <u>143,174</u> | <u>5,013</u> | <u>352,343</u> | <u>452,152</u> | <u>1,019,690</u> | <u>817,945</u> |
| SEGMENT OPERATING PROFIT | <u>P 1,440,025</u> | <u>P 1,351,926</u> | <u>P 19,897</u> | <u>P 178,264</u> | <u>P 474,524</u> | <u>P 1,261,493</u> | <u>P 1,934,446</u> | <u>P 2,791,683</u> |

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

| | <u>Rentals</u> | | <u>Construction</u> | | <u>Sale of Land and Condominium Units</u> | | <u>Total</u> | |
|--------------------|---------------------|--------------------------|---------------------|--------------------------|---|--------------------------|---------------------|--------------------------|
| | <u>Total Assets</u> | <u>Total Liabilities</u> | <u>Total Assets</u> | <u>Total Liabilities</u> | <u>Total Assets</u> | <u>Total Liabilities</u> | <u>Total Assets</u> | <u>Total Liabilities</u> |
| September 30, 2023 | P 34,675,509 | P 16,121,505 | P 5,445,362 | P 615,023 | P 9,358,406 | P 3,517,349 | P 49,479,277 | P 20,253,877 |
| December 31, 2022 | 30,343,341 | 12,364,600 | 6,082,372 | 589,529 | 8,363,181 | 3,043,255 | 44,788,894 | 15,997,384 |

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

Rental revenues from a single lessee account for 19.59% and 17.30% of the consolidated revenues for the nine months ended September 30, 2023 and 2022, respectively. In 2022, land sale from a single buyer accounted for 33.37% of the total interim consolidated revenue.

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

4.5 Reconciliations

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

| | September 30, 2023 (Unaudited) | September 30 2022 (Unaudited) |
|--|---|-------------------------------------|
| Revenues | | |
| Total segment revenues | P 2,954,135 | P 3,609,178 |
| Elimination of intersegment revenues | (143,241) | (425,650) |
| Revenues as reported in the condensed consolidated statements of comprehensive income | <u>P 2,810,894</u> | <u>P 3,183,528</u> |
| Profit or loss | | |
| Segment operating profit | P 1,934,446 | P 2,791,683 |
| Elimination of intersegment revenues | (143,241) | (425,651) |
| Other unallocated expenses | (210,642) | (189,136) |
| Operating profit as reported in the condensed consolidated statements of comprehensive income | P 1,580,563 | P 2,176,896 |
| Finance costs | (44,802) | (41,188) |
| Finance income | 76,569 | 23,759 |
| Share in net income of associates and joint ventures | 10,759 | 14,678 |
| Dividend income | <u>1,989</u> | <u>1,685</u> |
| Profit before tax as reported in the condensed consolidated statements of comprehensive income | <u>P 1,625,078</u> | <u>P 2,175,830</u> |

| | September 30, 2023 <u>(Unaudited)</u> | December 31, 2022 <u>(Audited)</u> |
|--|---|--|
| Assets | | |
| Segment assets | P 49,479,277 | P 44,788,894 |
| Deferred tax assets – net | 9 | 573 |
| Other unallocated assets** | 7,017,178 | 6,359,150 |
| Elimination of intercompany accounts | (14,704,702) | (12,504,084) |
| Total assets reported in the condensed consolidated statements of financial position | <u>P 41,791,762</u> | <u>P 38,644,533</u> |
| Liabilities | | |
| Segment liabilities | P 20,253,877 | P 15,997,384 |
| Deferred tax liabilities – net | 1,283,414 | 1,113,471 |
| Other unallocated liabilities** | 601,833 | 587,274 |
| Elimination of intercompany accounts | (7,549,935) | (5,226,812) |
| Total liabilities as reported in the condensed consolidated statements of financial position | <u>P 14,589,189</u> | <u>P 12,471,317</u> |

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

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; hence, they should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2022.

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

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

6.1 *Fair Value Hierarchy*

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

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

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

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

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

6.2 *Financial Instruments Measurement at Fair Value*

The Group's financial assets at fair value through other comprehensive income (FVOCI) include proprietary golf club shares, which are categorized within Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity security held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured using the market approach by reference to the fair value of a comparable instrument adjusted for inputs (i.e., financial forecast of cash flows or profit or loss) internally developed by management to consider the differences in corporate profile and historical performance of the entity. As of September 30, 2023 and December 31, 2022, the Group's financial assets measured at FVOCI amounted to P42.5 million (see Note 16).

The Group has no financial liabilities measured at fair value as of September 30, 2023 and December 31, 2022.

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

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

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

| | Notes | September 30, 2023 (Unaudited) | | | |
|--|-------|--------------------------------|-------------------|--------------------------------|--------------------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial Assets | | | | | |
| Cash and cash equivalents | 7 | P 5,151,507,037 | P - | P - | P 5,151,507,037 |
| Receivables – net | 8 | - | - | 7,087,600,508 | 7,087,600,508 |
| Refundable deposits (presented as part of Other Non-current Assets) | 16 | - | - | 58,548,762 | 58,548,762 |
| | | <u>P 5,151,507,037</u> | <u>P -</u> | <u>P 7,146,149,270</u> | <u>P 12,297,656,307</u> |
| Financial Liabilities | | | | | |
| Loans and borrowings | 17 | P - | P - | P 3,115,961,067 | P 3,115,961,067 |
| Trade and other payables | 18 | - | - | 2,057,011,867 | 2,057,011,867 |
| Advances from and due to related parties | 23.2 | - | - | 3,985,535,216 | 3,985,535,216 |
| Rental deposits | 19 | - | - | 321,090,852 | 321,090,852 |
| Construction bond | 19 | - | - | 39,348,912 | 39,348,912 |
| Lease liability | 15.2 | - | - | 1,719,602,604 | 1,719,602,604 |
| | | <u>P -</u> | <u>P -</u> | <u>P 11,238,550,518</u> | <u>P 11,238,550,518</u> |
| December 31, 2022 (Audited) | | | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial Assets | | | | | |
| Cash and cash equivalents | 7 | P 5,594,474,547 | P - | P - | P 5,594,474,547 |
| Receivables – net | | - | - | 6,455,657,604 | 6,455,657,604 |
| Refundable deposits (presented as part of Other Non-current Assets) | 16 | - | - | 35,844,973 | 35,844,973 |
| | | <u>P 5,594,474,547</u> | <u>P -</u> | <u>P 6,491,502,577</u> | <u>P 12,085,977,124</u> |
| Financial Liabilities | | | | | |
| Loans and borrowings | 17 | P - | P - | P 3,169,534,196 | P 3,169,534,196 |
| Trade and other payables | 18 | - | - | 1,303,728,134 | 1,303,728,134 |
| Advances from and due to related parties | 23.2 | - | - | 4,060,258,654 | 4,060,258,654 |
| Rental deposits | 19 | - | - | 281,805,271 | 281,805,271 |
| Construction bond | 19 | - | - | 57,434,383 | 57,434,383 |
| Lease liabilities | 15.2 | - | - | 524,528,916 | 524,528,916 |
| | | <u>P -</u> | <u>P -</u> | <u>P 9,397,289,554</u> | <u>P 9,397,289,554</u> |

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

6.4 Fair Value Disclosures for Investment Properties Carried at Cost

The table below shows the levels within the hierarchy of non-financial assets that are not measured at fair value but for which fair values are disclosed as of September 30, 2023 and December 31, 2022.

| | Note | Level 1 | Level 2 | Level 3 | Total |
|---|------|------------|-------------------------|-------------------------|-------------------------|
| September 30, 2023 and December 31, 2022 | | | | | |
| Land | P | - | P141,775,555,640 | 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 - | P141,775,555,640 | P 13,969,044,817 | P155,744,546,458 |

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

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---------------------------|--------------------------------------|-----------------------------------|
| Cash on hand and in banks | P 3,118,117,343 | P 2,661,084,860 |
| Short-term placements | 2,033,389,694 | 2,933,389,687 |
| | P 5,151,507,037 | P 5,594,474,547 |

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 5.75% to 6.1% during the nine months ended September 30, 2023 and 0.5% to 4.875% during the nine months ended September 30, 2022. Interest income from cash in banks and short-term placements amounting to P76.6 million and P19.9 million in 2023 and 2022, respectively, are included as part of Finance Income in the consolidated statements of comprehensive income (see Note 21.3).

8. RECEIVABLES

This account is composed of the following:

| | Note | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--------------------------|------|--------------------------------------|-----------------------------------|
| Current: | | | |
| Rental receivables | | P 1,131,352,249 | P 843,440,913 |
| Advances to: | | | |
| Related parties | 23.1 | 769,504,302 | 770,362,674 |
| Suppliers | | 388,742,871 | 400,159,593 |
| Officers and employees | | 11,635,680 | 11,216,332 |
| Contracts receivables | | 585,306,074 | 643,515,626 |
| Land sale receivable | | - | 49,255,000 |
| Retention receivables | | 6,140,175 | 7,005,678 |
| Others | | <u>12,129,307</u> | <u>4,759,191</u> |
| | | 2,904,810,658 | 2,729,715,007 |
| Allowance for impairment | | <u>(81,533,126)</u> | <u>(81,010,599)</u> |
| | | <u>2,823,277,532</u> | <u>2,648,704,408</u> |
| Non-current: | | | |
| Rental receivables | | <u>4,653,065,847</u> | <u>4,365,970,639</u> |
| | | <u>P 7,476,343,379</u> | <u>P 7,014,675,047</u> |

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

| | September 30, 2023 | December 31, 2022 |
|--|------------------------|------------------------|
| Not more than three months | P 439,883,886 | P 112,092,119 |
| More than three months but not more than one year | 447,374,806 | 188,694,600 |
| More than one year | <u>759,955,812</u> | <u>1,028,165,731</u> |
| | <u>P 1,647,254,504</u> | <u>P 1,328,952,450</u> |

9. PROPERTY DEVELOPMENT COSTS AND REAL ESTATE TRANSACTIONS

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

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

| | September 30, 2023 | December 31, 2022 |
|--------------------|-------------------------------|------------------------|
| | <u>(Unaudited)</u> | <u>(Audited)</u> |
| MidPark Residences | P 1,666,318,065 | P 1,364,448,198 |
| Raw Land | 397,831,294 | 397,831,294 |
| Pixel | 7,261,680 | 4,607,253 |
| One Parq Suites | <u>54,251,277</u> | <u>53,716,368</u> |
| | <u>P 2,125,662,316</u> | <u>P 1,820,603,113</u> |

Cost of condominium units sold amounted to P343.6 million and P343.8 million for the nine months ended September 30, 2023 and 2022, respectively (see Note 20.3).

Percentage of completion of Pixel Residences as at September 30, 2023 and 2022 is 100%. Percentage of completion of MidPark Residences as at September 30, 2023 and 2022 is 67.3% and 44.8%, respectively.

10. LAND AND LAND DEVELOPMENT COSTS

This account pertains to the cost of land available for sale located in Aseana Business Park, Parañaque City; Ciudad Nuevo Park, Cavite City; and Lunzuran Heights Subdivision, Zamboanga City with a total lot area of 222,323 as of September 30, 2023 and December 31, 2022.

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

| | Note | September 30, 2023 | December 31, 2022 |
|-----------------------------------|------|-------------------------------|------------------------|
| | | <u>(Unaudited)</u> | <u>(Audited)</u> |
| Balance at beginning of year | | P 1,703,931,615 | P 2,080,156,703 |
| Development costs during the year | | 61,602,593 | 107,610,053 |
| Sales during the period | 22 | - | (55,212,604) |
| Reclassification | | <u>-</u> | <u>(428,622,537)</u> |
| Balance at end of period | | <u>P 1,765,534,208</u> | <u>P 1,703,931,615</u> |

Management has estimated that the net realizable value of Land and Land Development Costs is higher than its carrying value as of September 30, 2023 and December 31, 2022. As of September 30, 2023 and December 31, 2022, certain portion of the parcels of land owned by the Group with a total lot area of 2,777 and carrying amount of P52.9 million, is used as collateral to secure certain peso denominated interest-bearing loans (see Note 17). The loans do not contain any restriction on the sale of the land except that the mortgage is annotated in the titles of the said properties.

11. OTHER CURRENT ASSETS

This account consists of the following:

| | September 30, 2023 <u>(Unaudited)</u> | December 31, 2022 <u>(Audited)</u> |
|--------------------------------------|---|--|
| Input VAT | P 804,828,092 | P 657,242,285 |
| Deferred input value added tax (VAT) | 656,668,375 | 655,345,025 |
| Prepayments | 74,982,208 | 138,072,948 |
| Contract acquisition costs | 64,723,070 | 66,793,889 |
| Financial assets at FVTPL | 58,615,788 | 58,615,790 |
| Creditable withholding tax | <u>39,282,146</u> | <u>29,063,876</u> |
| | <u>P 1,699,099,679</u> | <u>P 1,605,133,813</u> |

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

This account consists of the following:

| | <u>Note</u> | September 30, 2023 <u>(Unaudited)</u> | December 31, 2022 <u>(Audited)</u> |
|-----------------|-------------|---|--|
| Investments in: | | | |
| Associates | 12.1 | P 48,737,095 | P 48,784,245 |
| Joint ventures | 12.2 | <u>100,650,960</u> | <u>79,844,766</u> |
| | | <u>149,388,055</u> | <u>P 128,629,011</u> |

12.1 Investments in Associates

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

| | September 30, 2023 <u>(Unaudited)</u> | December 31, 2022 <u>(Audited)</u> |
|----------------------------------|---|--|
| Acquisition costs | <u>P 56,913,213</u> | <u>P 56,913,213</u> |
| Accumulated share in net losses: | | |
| Balance at beginning of period | (8,128,968) | (8,022,285) |
| Share in net losses | <u>(47,150)</u> | <u>(106,683)</u> |
| Balance at end of period | <u>(8,176,118)</u> | <u>(8,128,968)</u> |
| | <u>P 48,737,095</u> | <u>P 48,784,245</u> |

12.2 Investments in Joint Venture

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

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|----------------------------------|---|--|
| Acquisition costs | P 2,000,000 | P 2,000,000 |
| Accumulated share in net income: | | |
| Balance at beginning of period | 77,844,766 | 66,715,066 |
| Share in net income | <u>10,806,194</u> | <u>11,129,700</u> |
| Balance at end of period | <u>98,650,960</u> | <u>77,844,766</u> |
| | <u>P 100,650,960</u> | P <u>79,844,766</u> |

13. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation and amortization of property and equipment at the beginning and end of the nine months ended September 30, 2023 and the year ended December 31, 2022 are shown below.

| | <u>Land</u> | <u>Land Improvements</u> | <u>Leasehold Improvements</u> | <u>Machinery and Construction Equipment</u> | <u>Transportation Equipment</u> | <u>Furniture and Office Equipment</u> | <u>Other Equipment</u> | <u>Building and Improvements</u> | <u>Total</u> |
|--|---------------------------|------------------------------|-----------------------------------|---|-------------------------------------|---|----------------------------|--|-----------------------------|
| September 30, 2023 | | | | | | | | | |
| Cost | P 9,291,800 | P 4,034,354 | P 39,579,493 | P 512,147,620 | P 94,169,361 | P 201,369,815 | P 25,247,008 | P 239,649,209 | P 1,125,488,660 |
| Accumulated depreciation and amortization | <u>-</u> | <u>(3,899,181)</u> | <u>(35,679,310)</u> | <u>(485,673,300)</u> | <u>(63,651,785)</u> | <u>(144,248,864)</u> | <u>(23,093,751)</u> | <u>(43,935,688)</u> | <u>(800,181,879)</u> |
| Net carrying amount | <u>P 9,291,800</u> | <u>P 135,173</u> | <u>P 3,900,183</u> | <u>P 26,474,320</u> | <u>P 30,517,576</u> | <u>P 57,120,951</u> | <u>P 2,153,257</u> | <u>P 195,713,521</u> | <u>P 325,306,781</u> |
| 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 | P 1,084,447,365 |
| Accumulated depreciation and amortization | <u>-</u> | <u>(3,700,608)</u> | <u>(34,489,711)</u> | <u>(479,114,861)</u> | <u>(54,568,932)</u> | <u>(121,550,844)</u> | <u>(22,841,379)</u> | <u>(37,944,458)</u> | <u>(754,210,793)</u> |
| Net carrying amount | <u>P 9,291,800</u> | <u>P 333,746</u> | <u>P 3,880,853</u> | <u>P 31,367,580</u> | <u>P 35,298,572</u> | <u>P 45,953,641</u> | <u>P 2,405,629</u> | <u>P 201,704,751</u> | <u>P 330,236,572</u> |
| January 1, 2022 | | | | | | | | | |
| 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 | P 1,001,471,534 |
| Accumulated depreciation and amortization | <u>-</u> | <u>(3,435,845)</u> | <u>(32,957,310)</u> | <u>(449,863,681)</u> | <u>(44,815,376)</u> | <u>(103,738,934)</u> | <u>(14,062,186)</u> | <u>(29,956,151)</u> | <u>(678,829,483)</u> |
| Net carrying amount | <u>P 9,291,800</u> | <u>P 598,509</u> | <u>P 5,413,254</u> | <u>P 23,628,525</u> | <u>P 15,469,182</u> | <u>P 58,022,403</u> | <u>P 525,320</u> | <u>P 209,693,058</u> | <u>P 322,642,051</u> |

A reconciliation of the carrying amounts at the beginning and end of the nine months ended September 30, 2023 and the year ended December 31, 2023 of property and equipment is shown below.

| | <u>Land</u> | <u>Land Improvements</u> | <u>Leasehold Improvements</u> | <u>Machinery and Construction Equipment</u> | <u>Transportation Equipment</u> | <u>Furniture and Office Equipment</u> | <u>Other Equipment</u> | <u>Building and Improvements</u> | <u>Total</u> |
|---|---------------------------|------------------------------|-----------------------------------|---|-------------------------------------|---|----------------------------|--|-----------------------------|
| Balance at January 1, 2023, 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 |
| Additions | - | - | 1,208,929 | 1,665,179 | 4,301,857 | 33,865,330 | - | - | 41,041,295 |
| Depreciation and amortization charges for the period | - | (198,573) | (1,189,599) | (6,558,439) | (9,082,853) | (22,698,020) | (252,372) | (5,991,230) | (45,971,086) |
| Balance at September 30, 2023, net of accumulated depreciation and amortization | <u>P 9,291,800</u> | <u>P 135,173</u> | <u>P 3,900,183</u> | <u>P 26,474,320</u> | <u>P 30,517,576</u> | <u>P 57,120,951</u> | <u>P 2,153,257</u> | <u>P 195,713,521</u> | <u>P 325,306,781</u> |
| 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 | - | (264,762) | (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 | <u>P 9,291,800</u> | <u>P 333,746</u> | <u>P 3,880,853</u> | <u>P 31,367,580</u> | <u>P 35,298,572</u> | <u>P 45,953,641</u> | <u>P 2,405,629</u> | <u>P 201,704,751</u> | <u>P 330,236,572</u> |

The amount of depreciation and amortization is allocated as follows:

| | Note | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|------|--------------------------------------|-----------------------------------|
| General and administrative expense | 22 | P 36,716,993 | P 62,260,192 |
| Cost of Construction Capitalized as part of land and land development costs | | 298,248 | |
| | | <u>8,955,844</u> | <u>13,121,119</u> |
| | | <u>P 45,971,085</u> | <u>P 75,381,311</u> |

14. INVESTMENT PROPERTIES

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

| | Note | 2023 | 2022 |
|-----------------------------|------|-------------------------|-----------------------|
| Investment properties – net | | P 19,591,161,185 | P 18,516,389,761 |
| Right-of-use asset – net | 15.1 | <u>1,653,623,080</u> | <u>478,590,552</u> |
| | | <u>P 21,244,784,265</u> | <u>18,994,980,313</u> |

The gross amounts and the accumulated depreciation of investment properties at the beginning and end of the nine months ended September 30, 2023 and the year ended December 31, 2022 are shown below.

| | Land | Building and Improvements | Condominium Units | Construction in Progress | Total |
|---------------------------|-------------------------|------------------------------|----------------------|-----------------------------|-------------------------|
| September 30, 2023 | | | | | |
| Cost | P 10,689,427,480 | P 5,557,442,673 | P 25,228,650 | P 4,403,133,527 | P 20,675,232,330 |
| Accumulated depreciation | - | (1,075,770,264) | (8,300,881) | - | (1,084,071,145) |
| Net carrying amount | <u>P 10,689,427,480</u> | <u>P 4,481,672,409</u> | <u>P 16,927,769</u> | <u>P 4,403,133,527</u> | <u>P 19,591,161,185</u> |
| 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 | <u>P 10,573,292,926</u> | <u>P 4,586,260,634</u> | <u>P 17,684,628</u> | <u>P 3,339,151,573</u> | <u>P 18,516,389,761</u> |
| January 1, 2022 | | | | | |
| Cost | P 10,001,795,507 | P 2,995,351,909 | P 25,228,650 | P 4,791,919,186 | P 17,814,295,252 |
| Accumulated depreciation | - | (750,852,239) | (6,534,876) | - | (757,387,115) |
| Net carrying amount | <u>P 10,001,795,507</u> | <u>P 2,244,499,670</u> | <u>P 18,693,774</u> | <u>P 4,791,919,186</u> | <u>P 17,056,908,137</u> |

The reconciliation of the carrying amounts of investment properties at the beginning and end of the nine months ended September 30, 2023 and the year ended December 31, 2022 is shown below.

| | <u>Land</u> | <u>Building and Improvements</u> | <u>Condominium Units</u> | <u>Construction in Progress</u> | <u>Total</u> |
|--|--------------------------------|--------------------------------------|------------------------------|-------------------------------------|--------------------------------|
| Balance at January 1, 2023, 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 |
| Additions | 116,134,554 | 44,478,321 | - | 1,051,316,919 | 1,211,929,793 |
| Reclass from CIP | | | | 12,665,035 | 12,665,035 |
| Depreciation charges for the period | - | (149,066,546) | (756,859) | - | (149,823,405) |
| Balance at September 30, 2023, net of accumulated depreciation | <u>P 10,689,427,480</u> | <u>P 4,481,672,409</u> | <u>P 16,927,769</u> | <u>P 4,403,133,527</u> | <u>P 19,591,161,185</u> |
| Balance at January 1, 2022, net of accumulated depreciation | P 10,001,795,507 | P 2,244,499,670 | P 18,693,774 | P 4,791,919,186 | P 17,056,908,137 |
| Additions | 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 | <u>P 10,573,292,926</u> | <u>P 4,586,260,634</u> | <u>P 17,684,628</u> | <u>P 3,339,151,573</u> | <u>P 18,516,389,761</u> |

The amount of depreciation is allocated as follows:

| | <u>Notes</u> | <u>September 30, 2023 (Unaudited)</u> | <u>December 31, 2022 (Audited)</u> |
|---------------------------------------|--------------|---|--|
| Cost of rentals | 20.2 | P 149,066,546 | P 175,851,479 |
| General and administrative expense | 22 | <u>756,859</u> | <u>1,009,146</u> |
| | | <u>P 149,823,405</u> | <u>P 176,860,625</u> |

Land and building rental revenues recognized from investment properties amounted to P1,591.5 million and P1,317.2 million for the nine months ended September 30, 2023 and 2022, respectively, and are shown as Rentals under Revenues account in the condensed consolidated statements of comprehensive income. Costs incurred related to investment properties, including the depreciation, are presented as Rentals under Costs of Services and Sales account in the condensed consolidated statements of comprehensive income (see Note 20.2).

Management believes that the carrying amounts of investment properties are recoverable in full; hence, no impairment loss is recognized in 2023 and 2022.

Certain investment properties with carrying amount of P1,578.6 million as of September 30, 2023 and December 31, 2022, are used as collateral for certain loans with local banks (see Note 17).

The fair value of investment properties amounted to P155,744.5 million as of September 30, 2023 and December 31, 2022 (see Note 6.4).

15. LEASES

The Group leases certain parcels of land from WHI where the Group's certain investment properties are situated. Such leases have original term up to 30 years, and subject to escalation rate of 3% and enforceable renewal or extension options. The leases with WHI are reflected in the 2023 condensed consolidated statement of financial position as a right-of-use asset under Investment Properties (see Note 14) and lease liability.

15.1 Right-of-use Asset

The carrying amount of the Group's right-of-use asset as at September 30, 2023 and December 31, 2022 and the movements during the period are shown below.

| | <u>Note</u> | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--------------------------------|-------------|---|-----------------------------------|
| Balance at beginning of period | | P 478,590,552 | P 509,377,480 |
| Addition | | 1,196,105,968 | - |
| Lease Modification | | - | (9,665,472) |
| Depreciation and amortization | 20.2 | (21,073,440) | (21,121,456) |
| Balance at end of period | | <u>P 1,653,623,080</u> | <u>P 478,590,552</u> |

The amount of depreciation is allocated as follows:

| | <u>Notes</u> | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|--------------|---|-----------------------------------|
| Capitalized as part of property development cost | | P 4,142,346 | P 5,523,128 |
| Cost of rentals | 20.2 | <u>16,931,094</u> | <u>15,598,328</u> |
| | | <u>P 21,073,440</u> | <u>P 21,121,456</u> |

15.2 Lease Liabilities

Lease liabilities are secured by the related underlying assets. Such liabilities are presented in the condensed consolidated statement of financial position as at September 30, 2023 and December 31, 2022 as follows:

| | September 30, 2023 <u>(Unaudited)</u> | December 31, 2022 <u>(Audited)</u> |
|-------------|---|--|
| Current | P 40,831,753 | P 42,581,242 |
| Non-Current | <u>1,678,770,851</u> | <u>481,947,674</u> |
| | <u>P 1,719,602,604</u> | <u>P 524,528,916</u> |

Interest expense in relation to lease liabilities amounted to P37.3 and P31.8 million as of September 30, 2023 and 2022, respectively, and is presented as part of Finance Costs in the condensed consolidated statements of comprehensive income (see Note 21.2).

As of September 30, 2023, the Group has no commitments for leases (as lessee) entered into but which had not commenced.

16. OTHER NON-CURRENT ASSETS

This account includes the following:

| | September 30, 2023 <u>(Unaudited)</u> | December 31, 2022 <u>(Audited)</u> |
|--------------------------------|---|--|
| Advances to suppliers | P 161,713,385 | P 367,804,209 |
| Project advances | 120,226,587 | 119,070,674 |
| Deposits for future investment | 54,026,935 | 54,026,935 |
| Financial assets at FVOCI | 42,520,190 | 42,520,190 |
| Refundable deposits | 58,548,762 | 35,844,973 |
| Others | <u>30,707,444</u> | <u>11,695,851</u> |
| | <u>P 467,743,303</u> | <u>P 630,962,832</u> |

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

| | September 30, 2023 <u>(Unaudited)</u> | December 31, 2022 <u>(Audited)</u> |
|--------------------------------|---|--|
| Balance at beginning of period | P 42,520,190 | P 42,178,662 |
| Unrealized fair value gain | <u>-</u> | <u>341,528</u> |
| Balance at end of period | <u>P 42,520,190</u> | <u>P 42,520,190</u> |

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

17. LOANS AND BORROWINGS

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

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|-------------|---|-----------------------------------|
| Current | P 1,269,444,444 | P 1,269,444,444 |
| Non-current | <u>1,855,805,556</u> | <u>1,912,055,556</u> |
| | <u>P 3,125,250,000</u> | <u>P 3,181,500,000</u> |

Bank loans represent partially secured and unsecured loans from local commercial banks. Some loans bear fixed interest rates ranging from 3.5% to 4.2% in 2023 and 2022 and one loan is subject to quarterly repricing based on prevailing market rate.

In 2023 and 2022, interest costs related to bank loans amounted to P6.8 million and P9.3 million, respectively, and were recognized as part of Finance costs account in the condensed consolidated statements of comprehensive income (see Note 21.2).

Certain bank loans are partially secured by investment properties amounting to P1,578.6 million as of September 30, 2023 and December 31, 2022, respectively, and land and land development costs amounting to P52.9 million as of September 30, 2023 and December 31, 2022 (see Notes 10 and 14).

18. TRADE AND OTHER PAYABLES

This account consists of the following:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|-----------------------------|---|-----------------------------------|
| Deferred output VAT payable | P 975,328,114 | P 777,085,624 |
| Trade payables | 775,945,155 | 308,983,535 |
| Accrued expenses | 648,765,459 | 541,508,849 |
| Retention payable | 514,841,617 | 356,412,832 |
| Other payables | <u>127,459,636</u> | <u>109,517,506</u> |
| | <u>P 3,042,339,981</u> | <u>P 2,093,508,346</u> |

19. DEPOSITS AND ADVANCES

This account consists of:

| | September 30, 2023 <u>(Unaudited)</u> | December 31, 2022 <u>(Audited)</u> |
|----------------------|---|--|
| Current: | | |
| Reservation deposits | P 297,111,920 | P 258,627,160 |
| Advance rentals | 294,238,550 | 207,498,651 |
| Construction bond | 39,348,912 | 57,434,383 |
| Unearned rent income | 29,715,797 | 20,952,148 |
| Rental deposits | 5,501,932 | 5,523,562 |
| Buyers' deposits | 1,009,196 | 1,009,196 |
| Others | <u>5,096,078</u> | <u>3,970,187</u> |
| | <u>672,022,385</u> | <u>555,015,287</u> |
| Non-current: | | |
| Rental deposits | 315,288,381 | 276,281,709 |
| Retention payable | - | 110,765,630 |
| Unearned rent income | 79,181,891 | 79,181,891 |
| Advance rentals | 48,814,738 | 48,378,239 |
| Buyers' deposits | <u>5,827,833</u> | <u>5,827,833</u> |
| | <u>449,112,843</u> | <u>520,435,301</u> |
| | <u>P 1,121,135,228</u> | <u>P 1,075,450,588</u> |

20. COSTS OF SERVICES

20.1 Cost of Construction Contracts

The cost of construction contracts pertains to cost of subcontract amounting to P136.8 million in 2023 and nil in 2022.

20.2 Cost of Rentals

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

| | Notes | 2023 | 2022 |
|-------------------------|----------|---------------|---------------|
| Depreciation | 14, 15.1 | P 165,997,640 | P 136,948,486 |
| Taxes and licenses | | 53,917,334 | 31,848,201 |
| Outside services | | 41,285,385 | 32,231,959 |
| Utilities | | 33,878,807 | 31,185,592 |
| Repairs and maintenance | | 19,565,415 | 11,707,108 |
| Professional fees | | 12,706,928 | 10,922,168 |
| Office supplies | | 10,828,121 | 8,830,452 |

| | | |
|--------|----------------------|----------------------|
| Others | <u>14,997,553</u> | <u>11,243,518</u> |
| | P 353,177,183 | P 274,917,484 |

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

20.3 Cost of Sale of Condominium Units

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

| | <u>2023</u> | <u>2022</u> |
|---------------------------|-----------------------------|-----------------------------|
| Development costs | P 270,051,471 | P 270,376,630 |
| Land cost | 33,194,917 | 34,207,420 |
| Capitalized interest cost | 22,262,683 | 19,436,616 |
| Others | <u>18,111,456</u> | <u>19,760,026</u> |
| | <u>P 343,620,527</u> | <u>P 343,780,692</u> |

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

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

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

21.1 Other Operating Income

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------------|-----------------------------|
| Forfeiture Income | P 68,570,755 | P 34,591,943 |
| Income from rendering of administrative and other services | 31,192,208 | 29,439,587 |
| Others | <u>9,192,396</u> | <u>36,349,230</u> |
| | <u>P 108,955,359</u> | <u>P 100,380,760</u> |

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

21.2 Finance Costs

| | <u>Note</u> | <u>2023</u> | <u>2022</u> |
|----------------------|-------------|----------------------------|---------------------|
| Interest expense on: | | | |
| Lease liabilities | 15.2 | P 37,329,665 | P 31,822,006 |
| Bank loans | 17 | 6,780,229 | 9,309,235 |
| Others | | <u>692,206</u> | <u>56,765</u> |
| | | <u>P 44,802,100</u> | <u>P 41,188,006</u> |

21.3 Finance Income

| | <u>Note</u> | <u>2023</u> | <u>2022</u> |
|------------------------|-------------|----------------------------|---------------------|
| Interest income | 7 | P 76,568,978 | P 19,946,683 |
| Foreign currency gains | | <u>-</u> | <u>3,811,974</u> |
| | | <u>P 76,568,978</u> | <u>P 23,758,657</u> |

22. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

| | <u>Notes</u> | <u>2023</u> | <u>2022</u> |
|----------------------------------|--------------|-------------------------------|-------------------------------|
| Development costs | | P 270,051,471 | P 270,376,630 |
| Depreciation and amortization | 13,14,15 | 203,769,740 | 185,743,354 |
| Taxes and licenses | | 164,200,475 | 102,033,443 |
| Salaries and employee benefits | | 130,277,280 | 113,368,853 |
| Subcontract | | 117,476,879 | - |
| Commission | | 62,303,676 | 85,503,890 |
| Outside services | | 45,521,883 | 37,712,166 |
| Utilities | | 40,584,474 | 33,724,096 |
| Land cost | | 33,194,917 | 34,207,420 |
| Association dues | | 32,698,046 | 30,057,950 |
| Professional fees | | 31,044,025 | 24,003,307 |
| Repairs and maintenance | | 21,918,052 | 13,615,300 |
| Bond and insurance | | 21,281,177 | 16,379,343 |
| Representation and entertainment | | 19,102,445 | 8,237,333 |
| Office supplies | | 17,009,346 | 13,922,244 |
| Cost of sale of land | | - | 55,212,604 |
| Others | | 128,852,621 | 82,874,776 |
| | | <u>P 1,339,286,507</u> | <u>P 1,107,012,669</u> |

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

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

| | <u>Notes</u> | <u>2023</u> | <u>2022</u> |
|-------------------------------------|--------------|-------------------------------|-------------------------------|
| Cost of rentals | 20.2 | P 353,177,183 | P 274,917,484 |
| Cost of sale of land | 10 | - | 55,212,604 |
| Cost of sale of condominium units | 20.3 | 343,620,527 | 343,780,692 |
| Cost of construction contracts | 20.1 | 136,828,658 | - |
| General and administrative expenses | | 427,196,010 | 344,432,146 |
| Selling expenses | | 78,464,129 | 88,669,744 |
| | | <u>P 1,339,286,507</u> | <u>P 1,107,012,669</u> |

The details of general and administrative expenses are shown below.

| | Notes | 2023 | 2022 |
|----------------------------------|--------|----------------------|----------------------|
| Salaries and employee benefits | | P 130,277,280 | P 113,368,853 |
| Taxes and licenses | | 110,283,141 | 70,185,242 |
| Depreciation and amortization | 13, 14 | 37,473,852 | 48,794,868 |
| Association dues | | 32,698,046 | 30,057,950 |
| Representation and entertainment | | 19,102,445 | 8,237,333 |
| Professional fees | | 18,337,097 | 13,081,139 |
| Bond and insurance | | 6,283,624 | 5,135,825 |
| Outside services | | 4,236,498 | 5,480,207 |
| Office supplies | | 6,181,225 | 5,091,792 |
| Utilities | | 6,705,667 | 2,538,504 |
| Repairs and maintenance | | 2,352,637 | 1,908,192 |
| Others | | <u>53,264,497</u> | <u>40,552,241</u> |
| | | <u>P 427,196,009</u> | <u>P 344,432,146</u> |

23. RELATED PARTY TRANSACTIONS

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

The summary of the Group's significant transactions in 2023 and 2022 with its related parties and the outstanding balances as of September 30, 2023 and December 31, 2022 are presented below:

| Related Party Category | Notes | Outstanding Balances | | Amount of Transactions | |
|---|-------|-----------------------------------|--------------------------------|------------------------|---------------|
| | | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) | 2023 | 2022 |
| Ultimate parent company: | | | | | |
| Cash advances granted | 23.1 | P 493,402,410 | P 473,211,213 | P 20,191,197 | P 11,795,299 |
| Advances from purchase of land | 23.2 | (3,916,179,665) | (3,990,125,076) | (73,945,405) | |
| Cash advances paid (obtained) | 23.2 | (4,943,473) | (44,743,876) | (39,800,403) | (25,389,709) |
| Right-of-use assets | | 1,653,623,078 | 509,377,480 | 1,144,245,598 | (30,786,928) |
| Lease liability | | (1,719,602,604) | (534,035,912) | (1,185,566,692) | 9,506,966 |
| Management Fee | | 32,766,084 | 3,640,676 | 21,844,056 | 43,688,115 |
| Interest expense | | - | - | 37,329,665 | 42,129,716 |
| Associates: | | | | | |
| Cash advances granted | 23.1 | 7,664,070 | 7,555,729 | 106,341 | 1,797 |
| Joint ventures: | | | | | |
| Cash advances granted | 23.1 | 37,583,941 | 37,583,941 | - | - |
| Construction contracts | | - | 45,128,657 | (45,128,657) | (36,796,790) |
| Related parties under common ownership and management: | | | | | |
| Cash advances granted (collected) | 23.1 | 110,899,041 | 192,892,494 | (16,109,637) | (54,318,216) |
| Association dues | | (62,098,065) | (45,817,770) | 39,137,699 | 39,137,699 |
| Contracts of services | | - | - | - | 2,047,386 |
| Other income | | - | - | 33,704,246 | 26,677,578 |
| Stockholders: | | | | | |
| Cash advances granted (collected) | 23.1 | 108,638,463 | 97,113,470 | 11,524,993 | 4,524,993 |
| Key management personnel – | | | | | |
| Compensation | | - | - | 15,238,489 | 59,365,577 |
| Retirement Fund | | - | - | 46,715,605 | (823,282) |

23.1 Advances to Related Parties

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

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

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|---|-----------------------------------|
| Ultimate parent company | P 492,770,609 | P 485,006,512 |
| Related parties under common ownership and management | 122,847,219 | 138,574,233 |
| Stockholders | 108,638,463 | 101,638,463 |
| Joint ventures | 37,583,941 | 37,583,941 |
| Associates | <u>7,664,070</u> | <u>7,559,525</u> |
| | <u>P 769,504,302</u> | <u>P 770,362,674</u> |

23.2 Advances from Related Parties and Due to Ultimate Parent Company

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

24. EARNINGS PER SHARE

Basic and diluted earnings per share were computed as follows:

| | 2023 (Unaudited) | 2022 (Unaudited) |
|--|-----------------------------|----------------------|
| Net profit attributable to the equity holders of the Parent Company | P 1,262,414,231 | P 1,332,726,618 |
| Divided by weighted average number of outstanding common shares* | <u>3,395,864,100</u> | <u>3,395,864,100</u> |
| Basic and diluted earnings per share | <u>P 0.37</u> | <u>P 0.39</u> |

*The Group has no potential dilutive common shares as of September 30, 2023 and 2022.

25. CAPITAL STOCK

The Parent Company has an authorized capital stock of P4,000,000,000 divided into 4,000,000,000 shares with a par value of P1 per share, of which 3,395,864,100 shares or P3,395,864,100 are issued and outstanding as of September 30, 2023 and December 31, 2022.

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 P6.34 per share and P6.70 per share as of September 30, 2023 and December 31, 2022, respectively.

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

On May 14, 2020, the Parent Company's BOD unanimously approved a P1,000.0 million buyback program of the Parent Company's shares through the open market on the PSE subject to applicable SEC and PSE rules, for a period of two years or upon full utilization of the appropriated amount, whichever comes first. The Parent Company acknowledges that the share buyback program shall have an effect on the Parent Company's Minimum Public Ownership (MPO), and that it commits to bringing the MPO to the required percentage within a period of twelve months. As of the date of issuance of the 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 September 30, 2023 and December 31, 2022, there are 25 and 29 holders, respectively, of the listed common shares owning at least one board lot of 100 shares. The public float lodged with PCD Nominee is counted as one stockholder only.

26. COMMITMENTS AND CONTINGENCIES

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

26.1 Operating Leases – Group as a Lessor

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

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

| | September 30, 2023 | December 31, 2022 |
|---|--------------------------------|-------------------------|
| | <u>(Unaudited)</u> | <u>(Audited)</u> |
| Within one year | P 1,546,523,584 | P 1,226,485,449 |
| After one year but not more than two years | 1,433,752,368 | 1,110,266,789 |
| After one year but not more than three years | 1,316,613,734 | 992,856,921 |
| After one year but not more than four years | 1,206,373,915 | 921,502,544 |
| After one year but not more than five years | 796,192,977 | 733,241,663 |
| More than five years | <u>37,744,997,374</u> | <u>36,932,416,756</u> |
| | <u>P 44,044,453,951</u> | <u>P 41,916,770,122</u> |

26.2 Legal Claims

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

26.3 Deficiency Tax Assessments

The Group has received certain final deficiency tax assessments and letters of authority from the BIR. These letters authorize the BIR to investigate specific tax periods of the Group, including the examination of relevant books, records, and accounts related to ordinary course business transactions. The Parent Company is addressing its final deficiency tax assessment from the BIR for the taxable year 2013. In line with the Group's policy to address such actions prudently, external tax counsels and advisors have been engaged to manage these matters.

As of September 30, 2023, the 2009 tax assessment is undergoing judicial remedies. The management expresses confidence in the Group's substantial legal foundation, supported by relevant laws, Supreme Court and Court of Tax Appeals decisions, and supporting evidence. As a result, no provisions have been recorded in the consolidated financial statements.

26.4 Reclaimed Land and Others

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

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

There are other commitments, litigations and contingencies that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of September 30, 2023, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

27. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

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

As of September 30, 2023 and December 31, 2022, the Group's ratios of net interest-bearing loans to total capital are as follows:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|---|-----------------------------------|
| Total loans and borrowings | P 3,125,250,000 | P 3,181,500,000 |
| Less: Cash and cash equivalents and short-term placements | (5,151,507,037) | (5,594,474,547) |
| Net loans and borrowings (a) | (2,026,257,037) | (2,412,974,547) |
| Total equity | <u>27,192,573,524</u> | <u>26,173,216,027</u> |
| Net loans and borrowings and equity (b) | <u>P 25,166,316,487</u> | <u>P23,760,241,480</u> |
| Gearing ratio (a/b) | <u>-8%</u> | <u>-10%</u> |

28. CASH DIVIDENDS

On March 15, 2023, the Parent Company's BOD in the special meeting held approved the declaration of dividends amounting to P 0.07497358 per share to shareholders as of the record dated March 30, 2023. The dividends were made payable on April 5, 2023.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
Schedule of Financial Indicators
As required under SRC Rule 68, as amended
For the Period Ended September 30, 2023 and 2022
(Amounts in Philippine Pesos)

| | | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|-------------|---|-------------------------------|-------------------------------|
| I. | Current/liquidity ratios | | |
| a. | Current Ratio | | |
| | $\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$ | 1.56 | 1.63 |
| b. | Quick Ratio | | |
| | $\frac{\text{[Cash and Cash Equivalents + Receivables - net]}}{\text{Total Current Liabilities}}$ | 0.87 | 0.99 |
| II. | Solvency ratios | | |
| a. | Solvency Ratio | | |
| | $\frac{\text{Total Assets}}{\text{Total Liabilities}}$ | 2.86 | 3.10 |
| b. | Debt Ratio | | |
| | $\frac{\text{Total Loans and Borrowings}}{\text{Total Assets}}$ | 7% | 8% |
| c. | Debt-to-Equity Ratio | | |
| | $\frac{\text{Total Loans and Borrowings}}{\text{Total Equity Attributable to Owners of Parent Company}}$ | 11% | 12% |
| III. | Asset-to-equity ratio | | |
| | $\frac{\text{Total Assets}}{\text{Total Equity Attributable to Owners of Parent Company}}$ | 1.54 | 1.51 |
| | | <u>September 30, 2023</u> | <u>September 30, 2022</u> |
| IV. | Interest Coverage Ratio | | |
| | $\frac{\text{Earnings Before Interest and Taxes}}{\text{Interest Costs}}$ | 48.1 | 25.6 |
| V. | Profitability Ratios | | |
| a. | Net Profit Margin | | |
| | $\frac{\text{Net profit Attributable to Owners of the Parent Company}}{\text{Revenues}}$ | 44.9% | 53.8% |
| b. | Gross Profit Margin | | |
| | $\frac{\text{Gross Profit}}{\text{Revenues}}$ | 70.3% | 78.8% |
| c. | Return on Equity (Annualized) | | |
| | $\frac{\text{Net profit Attributable to Owners of the Parent Company}}{\text{Average Equity Attributable to Owners of the Parent Company}}$ | 6.7% | 9.4% |

| | | | |
|----|---|-------|-------|
| d. | Return on Assets (Annualized) Net profit Attributable to Owners of the Parent Company | 4.0% | 6.7% |
| | Average Total Assets | | |
| e. | Recurring income Rental revenue | 65.2% | 50.1% |
| | Total revenue | | |

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

**Reconciliation of Retained Earnings Available for Dividend Declaration
As of September 30, 2023**

| | |
|--|-------------------------------|
| Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year | <u>P 10,862,747,853</u> |
| Prior Year's Outstanding Reconciling Items | |
| Rent income based on Philippine Accounting Standard (PAS) 17, <i>Leases</i> | (4,930,098,036) |
| Deferred tax income from deferred tax assets | (15,262,780) |
| Remeasurement of deferred tax assets as an effect of change in income tax rate | 17,665,749 |
| Revaluation increment on land | <u>(19,047,893)</u> |
| Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted | <u>5,916,004,893</u> |
| Net Profit Realized During the Year | |
| Net profit per unaudited financial statements | 636,274,535 |
| Non-actual/unrealized income | |
| Accrued rent income based on PFRS 16, Leases | (416,034,874) |
| Deferred tax expense from deferred tax assets | <u>58,358,653</u> |
| | <u>278,598,314</u> |
| Other Transactions During the Year | |
| Cash dividends declared | (<u>254,600,089</u>) |
| Unappropriated Retained Earnings Available for Dividend Declaration at End of Period | <u><u>P 5,940,003,118</u></u> |

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

DMW's 3Q 2023 Net Income Reaches ₱1.3 Billion

Financial and Operational Highlights

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

| | Nine months ended September 30 (UNAUDITED) | | | | |
|---|---|------------------------------|--------------------------|------------------------------|---------------------|
| | 2023 | % to Revenues | 2022 | % to Revenues | % Change |
| Profit & Loss Data | | | | | |
| Revenues | 2,811 | 100% | 3,184 | 100% | -13% |
| Cost of services and sales | 834 | 30% | 674 | 21% | 24% |
| Gross profit | 1,977 | 70% | 2,510 | 79% | -21% |
| Other operating expenses – net | 397 | 14% | 333 | 10% | -19% |
| Net income attributable to the owners of the Parent company | 1,262 | 45% | 1,712 | 54% | -26% |
| | | | | | |
| | Sep 30, 2023 | | Dec 31, 2022 | | % Change |
| | Amount | % to Total Assets | Amount | % to Total Assets | |
| | (UNAUDITED) | | (AUDITED) | | |
| Balance Sheet Data | | | | | |
| Total Assets | 41,792 | 100% | 38,644 | 100% | 8% |
| Total Liabilities | 14,589 | 35% | 12,471 | 32% | 17% |
| Total Equity attributable to owners of the Parent company | 26,560 | 64% | 25,552 | 66% | 4% |
| | | | | | |
| | As of the period ended | | | | |
| | September 30, 2023 | | December 31, 2022 | | |
| Other Key Financial Ratios | | | | | |
| Current Ratio | 1.56 | | 1.63 | | |
| Debt to Equity | 11% | | 12% | | |
| | | | | | |
| | September 30, 2023 | | December 31, 2022 | | |
| Return on Equity | 7% | | 8% | | |
| *Net income ratio | 45% | | 50% | | |
| Recurring Income Contribution | 65% | | 52% | | |

**Attributable to parent*

Revenue

Total consolidated revenue decreased by P372.6 million or 11.7%, from P3,183.5 million for the nine months ended September 30, 2022 to P2,810.9 million for the same period in 2023, primarily due to the following:

Land sales

The parent Company sold a certain parcel of land amounting to P787.6 million in January 2022 with a land area of 1,790 sqm. No sale was recorded for the same period in 2023.

Sale of Condominium Units

The revenue from sale of condominium units increased by P25.9 million or 3.2%, from P801.0 million for the nine months ended September 30, 2022 to P826.9 million during the same period in 2023. This increase was primarily attributable to the increase in incremental percentage of completion for Midpark in 2023 compared to the incremental percentage of completion for the same period in 2022. Also, higher number of units of Midpark was qualified for revenue recognition as it reaches the revenue threshold.

Rentals

The total rental revenue increased by P238.4 million or 14.9%, from P1,594.9 million for the nine months ended September 30, 2022 to P1,833.3 million for the same period in 2023. The increase was attributable to the increase in parking income and the new leases the company has secured.

Construction Contracts

The total construction contracts increased by P150.7 million or 100%, for the nine months ended September 30 in 2023. The increase was attributable to construction activities rendered to external parties.

Cost of Services and Sales

Total consolidated cost of services and sales increased by P159.7 million or 23.7%, from P673.9 million for the nine months ended September 30, 2022 to P833.6 million for the same period in 2023 primarily due to the following:

Sale of Condominium Units

Cost of sale of condominium units decreased by P0.1 million or 0%, from P343.7 million for the nine months ended September 30, 2022 to P343.6 million for the same period in 2023.

Construction Contracts

Cost of construction contracts increased by P126.8 million or 100%, for the nine months ended September 30, 2023. As discussed above, increase was primarily attributable to the increase in construction activities rendered to external parties.

Land Sales

Cost of land sales decreased by P55.2 million or 100% from 2022. As discussed above, there is no land sale for the same period in 2023.

Operating expenses – net

Operating expenses – net decreased by P64.0 million or 19.2% from P332.7 million for the period ended September 30, 2022 to P396.7 million for the same period in 2023 primarily due to decrease in selling expense related to the land sale net of the increase in recognized forfeiture income from payments of buyers.

Tax Expense

Tax expense decreased by P95.6 million or 21.4%, from P446.7 million in 2022 to P351.1 million in 2023 significantly due to the decrease in current tax expense in 2023 as there is no transacted land sale during the first half of 2023.

Net Profit Attributable to Parent

Net profit attributable to parent company decreased by P449.6 million or 26.3%, from P1,712.0 million in 2022 to P1,262.4 million in 2023, as discussed in details in the revenue, cost of services and sales, operating expenses and taxes portions of this report.

Balance Sheet Accounts

Total Assets

The Company's total assets increased by P3,147.3 million or 8.1%, from P38,644.5 million as of December 31, 2022 to P41,791.8 million as of September 30, 2023 due to the following:

- Contract Asset increased by P566.1 million or 69.0%, from P820.3 million to P1,386.4 million as of December 31, 2022 and September 30, 2023, respectively, primarily due to the increase in number of units that qualified for revenue recognition.
- Investment properties - net increased by P2,249.8 million or 11.8%, from P18,995.0 million to P21,244.8 million as of December 31, 2022 and September 30, 2023, respectively, because of the cost incurred for the construction of Parqal and recognition of right of use from lease contract of Parqal.

- Property Development Cost increased by P305.1 million or 16.8%, from P1,820.6 million to P2,125.7 million as of December 31, 2022 and September 30, 2023, respectively, because of the cost recognition for Midpark.
- Receivables increased by P461.6 million or 6.6%, from P7,014.7 million to P7,476.3 million as of December 31, 2022 and September 30, 2023, respectively, primarily due to the recognition of rental receivable based on PAS17.

Total Liabilities

Total liabilities increased by P2,127.9 million or 17.1%, from P12,471.3 million to P14,599.2 million from December 31, 2022 and September 30, 2023, respectively, due to the following:

- Trade and other payables increased by P1,109.5 million or 53.0%, from P2,093.5 million to P3,203.0 million as of December 31, 2022 and September 30, 2023, respectively, significantly due to the billings received from subcontractors of pipeline projects.
- Contract liability decreased by P114.8 million or 29.6%, from P387.2 million to P272.4 million as of December 31, 2022 and September 30, 2023, respectively, because of the decrease in the amount received from real estate customers in excess of the amount that the Group has rights to receive based on the progress of the real estate development.
- Deposit and advances increased by P45.7 million or 4.2%, from P1,075.4 million to P1,121.1 million as of December 31, 2022 and September 30, 2023, respectively, mainly due to additional security deposits received.
- Lease Liability increased by P1,195.1 million or 227.8%, from P542.5 million to P1,719.6 million as of December 31, 2022 and September 30, 2023, respectively, mainly due to the recognition of lease liability from lease contract of Parqal.

Total Equity

Total equity increased by P1,019.4 million or 3.9%, from P26,173.2 million to P27,192.6 million as of December 31, 2022 and September 30, 2023, respectively, primarily due to the results of operation for the nine months ended September 30, 2023, net of declaration of cash dividends of P254.6 million.

Other Key Financial Ratios

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

Current ratio decreased to 1.56 from 1.63 as of September 30, 2023 and December 31, 2022, respectively, mainly due to the increase in capital expenditures thus, decrease in cash and cash equivalents.

Debt to equity ratio remains at 12% as of September 30, 2023 and December 31, 2022.

Return on equity decreased to 7% from 9% as of September 30, 2023 and December 31, 2022, mainly due to the decrease in results of operation for the current year.

Net income margin decreased to 45% from 57% as of September 30, 2023 and 2022, mainly due to the land sale transacted during 2022.

Recurring income ratio increased to 65% from 47% as of September 30, 2023 and 2022 mainly due to the land sale in the first quarter of 2022 which diluted the recurring income ratio.

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

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

Key Operating Data

DMW's total leasable commercial space expanded by 45% to 235,846sq.m with the opening of its flagship mixed-use project Parqal in September.

Nestled in the heart of Aseana City, Parqal spans over 73,000sqms GLA and sits on five hectares of land stretching from Diokno Avenue to Macapagal Boulevard. It features a climate protected and walkable development composed of nine independent 4-storey buildings. Around 60% of Parqal's lot area is dedicated to lush green landscapes and recreational facilities.

On the residential segment, MidPark Towers' percentage of completion reached 71% as of end-September 2023.

On land leasing, total leased out land reached 174,102 sq.m. as of September 2023 from 166,015 sq.m. in December 2022 due to new land leases as well as lease expansions.

No land sale was transacted during 9M2023 period whereas a 1,790sq.m. land sale was closed in 2022. DMW has ~4,200sq.m. of land available for sale.

The completion of Parqal and the expected completion of LRT Cavite Extension Phase 1 next year are expected to boost demand for real estate products in Aseana City.

Project and Capital Expenditure

As of the period ended September 30, 2023, the Company already spent P7,380.3 million from the IPO proceeds. The Group expects to incur capital expenditures of approximately P2.3 billion which will be funded through internally generated funds or external borrowings.

SIGNATURES

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

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

By:


DELFIN ANGELO C. WENCESLAO
Chief Executive Officer


BENIGNO A. TATUNAY
Chief Finance Officer

Date: November 10, 2023