SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-C
CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2 (c) THEREUNDER

1. **28 February 2025**
   Date of Report

2. SEC Identification Number: **CS202052294**

3. BIR Tax Identification No: **502-228-971-000**

4. Exact name of Issuer as specified in its charter
   MREIT, INC.

5. Province, Country or other jurisdiction of incorporation or organization
   Metro Manila

6. Industry Classification Code (SEC Use Only)

7. Address of principal office
   18th Floor, Alliance Global Tower, 36th Street corner 11th Avenue
   Uptown Bonifacio, Taguig City
   Postal Code **1634**

8. Issuer's telephone number, including area code
   (632) 8894-6300/6400

9. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	3,721,983,381[1]
Preferred	0
Total	**3,721,983,381[1]**

10. **Item 9**

Please see the attached Audited Financial Statements of MREIT, Inc. for the year ended 31 December 2024, as audited by its external auditor, Punongbayan & Araullo.

SIGNATURE

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 hereunto duly authorized.

MREIT, INC.
Issuer

By:

GIANCARLO V. INACAY
Compliance Officer
28 February 2025

[1] As of 19 November 2024, MREIT, Inc. has a total of 3,721,983,381 common shares issued and outstanding. 2,795,821,381 common shares are listed in the Philippines Stock Exchange (the "Exchange"), while the 926,162,000 common shares issued on 19 November 2024 are pending listing with the Exchange.

M·REIT
A MEGAWORLD COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MREIT, Inc.** (the Company), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

FRANCISCO C. CANUTO
Chairman of the Board

KEVIN ANDREW L. TAN
President and Chief Executive Officer

GIANCARLO V. INACAY
Chief Financial Officer

Signed this 20th day of February 2025

SUBSCRIBED AND SWORN to before me this 20th day of February 2025 at MAKATI CITY, Philippines, affiants exhibiting to me their Identification Nos. as follows:

Franciso C. Canuto	102-956-483-000
Kevin Andrew Tan	224-803-734-000
Giancarlo V. Inacay	P4975844B

ATTY. ROMEO M. MONFORT
Notary Public City of Makati
Until December 31, 2025
Appointment No. M-032 (2024-2025)
PTR No. 10466008 Jan. 2, 2025/Makati City
IBP No. 488534 Dec. 27, 2024
MCLE NO. VII-0027570 Roll No. 27932
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Doc. No. 61;
Page No. 14;
Book No. 20;
Series of 2025

"DOCUMENTARY STAMP TAX PAID"
(SIGNATURE) 02/20/25 (DATE OF PAYMENT)

P&A Grant Thornton

FOR SEC FILING

Financial Statements and Independent Auditors' Report

MREIT, Inc.

December 31, 2024 and 2023

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

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors
MREIT, Inc.
(A Subsidiary of Megaworld Corporation)
18th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of MREIT, Inc. (the Company), which comprise the statements of financial position as of December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2024, 2023 and 2022, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years ended December 31, 2024, 2023 and 2022 in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matters

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

Addition to and Valuation of Investment Properties

Description of the Matter

In 2024, the Company acquired additional investment properties valued at P13.2 billion through a Deed of Exchange of Property for Shares with Megaworld Corporation, its Parent Company. Investment properties are accounted for under the fair value model, which was determined by an independent appraiser using the income approach. Under the income approach, the fair value of an asset is measured by calculating the present value of its economic benefits by discounting expected cash flows at a rate of return that compensate the risks associated with a particular investment. The total fair value of investment properties as of December 31, 2024 is P72.9 billion, which represents 96% of the total assets of the Company. The addition to and valuation of the additional acquisition and remeasurement of fair value of investment properties are considered key audit matters because of the significance of the amounts to the financial statements. In addition, the measurement of the property for share swap transaction and the remeasurement of investment properties at fair value as of December 31, 2024 involve the application of significant management judgments and high estimation uncertainty.

The Company's policy on measurement of investment properties is more fully described in Note 2 to the financial statements. The significant judgments applied and estimates used in measuring fair value are more fully described in Note 3 to the financial statements, while the detailed information on investment properties and valuation approach used are fully described in Notes 6 and 21, respectively, to the financial statements.

How the Matter was Addressed in the Audit

We have examined the additional investment properties during the year by agreeing to supporting documents, including but not limited to the Deed of Exchange of Property for Shares and the Securities and Exchange Commission's Certificate of Approval of Valuation. We have evaluated the competence, capability and objectivity of the independent appraisers to establish reliance on their work. We have also involved our internal valuation specialists in evaluating the accuracy of the valuation model and the reasonableness of key assumptions used, such as discount rates and growth rates. We have also tested the completeness and accuracy of key inputs used in the valuation such as lease rates and lease terms, on a sample basis, by agreeing it to supporting lease contracts.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2024 required by the Bureau of Internal Revenue is presented by the management of the Company in a supplementary schedule filed separately from the basic financial statements and is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

PUNONGBAYAN & ARAULLO

By: John Endel S. Mata
Partner

CPA Reg. No. 0121347
TIN 257-622-627
PTR No. 10465907, January 2, 2025, Makati City
BIR AN 08-002551-040-2023 (until January 24, 2026)
BOA/PRC Cert. of Reg. No. 0002/P-012 (until August 12, 2027)

February 20, 2025

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	4	**P 2,025,255,093**	P 1,678,912,046
Trade and other receivables	5	**389,032,440**	321,244,295
Other current assets	7	**328,418,811**	261,593,381
Total Current Assets		**2,742,706,344**	2,261,749,722
NON-CURRENT ASSETS			
Trade receivables	5	**204,385,118**	130,022,306
Investment properties	6	**72,922,717,200**	58,980,800,000
Other non-current assets	7	**224,237,781**	78,547,978
Total Non-current Assets		**73,351,340,099**	59,189,370,284
TOTAL ASSETS		**P 76,094,046,443**	P 61,451,120,006
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts and other payables	8	**P 810,031,958**	P 785,682,360
Deposits and other liabilities	9	**671,761,410**	402,219,629
Total Current Liabilities		**1,481,793,368**	1,187,901,989
NON-CURRENT LIABILITIES			
Interest-bearing loan	10	**7,212,172,904**	7,206,697,580
Deposits and other liabilities	9	**1,110,413,468**	917,961,518
Total Non-current liabilities		**8,322,586,372**	8,124,659,098
Total Liabilities		**9,804,379,740**	9,312,561,087
EQUITY			
Capital stock	16	**3,721,983,381**	2,795,821,381
Additional paid-in capital	16	**64,797,000,097**	52,782,813,885
Deficit		**(2,229,316,775)**	(3,440,076,347)
Total Equity		**66,289,666,703**	52,138,558,919
TOTAL LIABILITIES AND EQUITY		**P 76,094,046,443**	P 61,451,120,006

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
REVENUES				
Rental income	11	**P 3,464,129,799**	P 3,223,382,715	P 2,917,785,685
Income from dues - net	2	**1,049,348,194**	933,121,752	730,981,573
		4,513,477,993	4,156,504,467	3,648,767,258
COST OF SERVICES	12	**978,303,651**	940,568,965	676,211,193
GROSS PROFIT		**3,535,174,342**	3,215,935,502	2,972,556,065
OTHER OPERATING EXPENSES	13	**92,504,315**	62,196,945	37,400,283
OPERATING PROFIT		**3,442,670,027**	3,153,738,557	2,935,155,782
OTHER INCOME (CHARGES)				
Fair value gains (losses) on investment properties	6	**790,416,800**	(2,732,200,000)	(2,822,000,000)
Interest expense	9 , 10	**(304,375,635)**	(306,980,679)	(309,090,834)
Interest income	4, 7	**50,171,485**	64,685,771	23,042,323
Miscellaneous income		**4,560,676**	1,686,743	688,017
		540,773,326	(2,972,808,165)	(3,107,360,494)
PROFIT (LOSS) BEFORE TAX		**3,983,443,353**	180,930,392	(172,204,712)
TAX EXPENSE	14	**(9,573,510)**	(12,586,537)	(4,348,835)
NET PROFIT (LOSS)		**3,973,869,843**	168,343,855	(176,553,547)
OTHER COMPREHENSIVE INCOME		**-**	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)		**P 3,973,869,843**	P 168,343,855	(P 176,553,547)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	17	**P 1.37**	P 0.06	(P 0.07)

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Note	2024	2023	2022
CAPITAL STOCK				
Balance at beginning of year		**P 2,795,821,381**	P 2,532,121,381	P 2,532,121,381
Issuance of shares during the year	16	**926,162,000**	263,700,000	-
Balance at end of year		**3,721,983,381**	2,795,821,381	2,532,121,381
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**52,782,813,885**	47,907,466,035	47,907,466,035
Addition during the year	16	**12,014,186,212**	4,875,347,850	-
Balance at end of year		**64,797,000,097**	52,782,813,885	47,907,466,035
DEFICIT				
Balance at beginning of year		**(3,440,076,347)**	(921,358,323)	1,721,734,662
Net profit (loss) during the year		**3,973,869,843**	168,343,855	(176,553,547)
Dividends declared during the year	16	**(2,763,110,271)**	(2,687,061,879)	(2,466,539,438)
Balance at end of year		**(2,229,316,775)**	(3,440,076,347)	(921,358,323)
TOTAL EQUITY		**P 66,289,666,703**	P 52,138,558,919	P 49,518,229,093

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		P 3,983,443,353	P 180,930,392	(P 172,204,712)
Adjustments for:				
Fair value losses (gains) on investment properties	6	(790,416,800)	2,732,200,000	2,822,000,000
Interest expense	9, 10	304,375,635	306,980,679	309,090,834
Interest income	4, 7	(50,171,485)	(64,685,771)	(23,042,323)
Operating profit before working capital changes		3,447,230,703	3,155,425,300	2,935,843,799
Increase in trade and other receivables		(141,448,207)	(141,941,325)	(165,624,932)
Increase in other current assets		(277,977,618)	(128,236,415)	(197,544,978)
Decrease (increase) in other non-current assets		(144,230,169)	15,253,575	(37,179,610)
Increase in accounts and other payables		24,349,598	291,694,037	321,796,980
Increase (decrease) in deposits and other liabilities		431,126,403	9,099,296	(95,304,501)
Cash generated from operations		3,339,050,710	3,201,294,468	2,761,986,758
Interest received		48,009,101	64,040,587	22,983,038
Income tax paid		(9,573,510)	(12,586,537)	(4,348,835)
Net Cash From Operating Activities		3,377,486,301	3,252,748,518	2,780,620,961
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	16	(2,763,110,271)	(2,687,061,879)	(2,466,539,438)
Interest paid	10	(268,032,983)	(267,300,653)	(267,361,070)
Net Cash Used in Financing Activities		(3,031,143,254)	(2,954,362,532)	(2,733,900,508)
NET INCREASE IN CASH AND CASH EQUIVALENTS		346,343,047	298,385,986	46,720,453
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,678,912,046	1,380,526,060	1,333,805,607
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 2,025,255,093	P 1,678,912,046	P 1,380,526,060

Supplemental Information on Non-cash Investing and Financing Activity —

In 2024 and 2023, the Company and Megaworld Corporation (the Parent Company) entered into property-for-share swap transactions, wherein the Parent Company transferred certain real properties for lease to the Company amounting to P13,151.5 million and P5,274.0 million, respectively. In exchange for the properties transferred, the Company issued 926,162,000 common shares in 2024 and 263,700,000 common shares in 2023, with a par value of P1.0 per share, to the Parent Company, which resulted in the recognition of Capital Stock amounting to P926.2 million and Additional Paid-in Capital of P12,014.2 million, net of P211.2 million in stock issuance costs, in 2024 and Capital Stock amounting to P263.7 million and Additional Paid-in Capital of P4,875.3 million, net of P135.0 million in stock issuance costs, in 2023 (see Note 16).

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024, 2023, AND 2022
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

MREIT, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. The Company's primary purpose is to engage in the business of a real estate investment trust, as provided under Republic Act (R.A.) No. 9856, *The Real Estate Investment Trust Act of 2009* (the "REIT Act"), including its implementing rules and regulations, and other applicable laws.

The Company is a subsidiary of Megaworld Corporation Inc. (MC) or the Parent Company owning 63.44% of the Company's outstanding capital stock.

MC is presently engaged in property-related activities such as project design, construction, and property management. MC's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects, as well as office projects and retail spaces.

Alliance Global Group, Inc. (AGI) is the Company's ultimate parent company. AGI is a holding company presently engaged in the food and beverage, real estate development, quick-service restaurant, tourism-oriented and gaming businesses.

The registered office address and principal place of business of the Company and MC are located at 18th and 30th Floors, respectively, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. The registered office of AGI, which is also its principal place of business, is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The Company's share of stock are listed and traded in the Philippine Stock Exchange (PSE). MC and AGI are also publicly-listed entities in the Philippines.

The financial statements of the Company as of and for year ended December 31, 2024 (including the comparative financial statements as of December 31, 2023 and for the years ended December 31, 2023 and 2022) were authorized for issue by the Company's Board of Directors (BOD) on February 20, 2025.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expense and other comprehensive income or loss in a single statement of comprehensive income.

The Company presents a third statement of financial position as of 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 statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

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

Items included in the financial statements of the Company are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS Accounting Standards

(a) Effective in 2024 that are Relevant to the Company

The Company adopted for the first time the following amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants
PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flow, and Financial Instruments: Disclosures – Supplier Finance Arrangements
PFRS 16 (Amendments)	:	Leases – Lease Liability in a Sale and Leaseback

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

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current.* The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Company's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The required disclosures under these amendments are disclosed in Note 10.

(iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Company's financial statements.

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback*. The amendments requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The application of these amendments had no significant impact on the Company's financial statements.

(b) Effective Subsequent to 2024 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise indicated, none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

(ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)

(iii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

(iv) PFRS 19, *Subsidiaries without Public Accountability: Disclosures* (effective from January 1, 2027) The new standard reduces the disclosure requirements prescribed by other standards for subsidiaries without public accountability. It changes disclosure requirements prescribed by other standards as the reporting entity will instead refer to PFRS 19 for required disclosures.

2.3 Financial Instruments

(a) Financial Assets

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Company commits to purchase or sell the asset).

(i) Classification and Measurement of Financial Assets

The Company's financial assets only include financial assets at amortized cost.

(ii) Impairment of Financial Assets

The expected credit losses (ECL) on trade and other receivables are estimated by applying the simplified approach using a provision matrix developed based on the Company's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Company measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period, except when there has been a significant increase in credit risk on the financial asset since initial recognition.

(b) Financial Liabilities

Financial liabilities include Security deposits (presented under Deposits and Other Liabilities), Accounts and Other Payables (except tax-related liabilities), and Interest-bearing Loan.

2.4 Investment Properties

Investment properties include several buildings for mixed use, which are being leased out as office, retail and hotel, including the hotel's parking spaces.

Investment properties are accounted for under the fair value model. They are revalued annually and are reported in the statement of financial position at its fair value. Fair value is based on the income approach and is determined annually by an independent appraiser with sufficient experience with respect to both the location and the nature of the investment properties (see Note 21.3).

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as Fair value gains or losses on investment properties account under the Other Income (Charges) section in the statement of comprehensive income.

2.5 Revenue and Expense Recognition

Revenue comprises revenue from leasing activities.

The following specific recognition criteria must also be met before revenue is recognized:

(a) *Income from dues* – Income from dues are recognized when the related services are rendered. Electricity and water dues in excess of actual charges and consumption are recorded as revenues. In addition, billing from common dues, presented at gross amounts, is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

    The Company assesses its revenue agreement against the specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal for billings from common area, air conditioning and other dues, except for electricity and water dues in which the Company acts as an agent.

(b) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

The Company also recognizes revenues from rentals which are based on the provisions of PFRS 16.

Cost of services and operating expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred.

2.6 Leases

The Company accounts for leases as follows:

(a) *Company as a Lessee*

    Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognized in the statement of comprehensive income when the event or condition that triggers those payments occurs.

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

(b) *Company as a Lessor*

    The Company applies judgment in determining whether a lease contract is a finance or operating lease.

2.7 Impairment of Non-financial Assets

The Company's non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.8 Material Related Party Transactions

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

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-third of the outstanding capital stock.

For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Company's total assets based on the latest audited financial statements, the same BOD approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that affect the amounts reported in the 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 ultimately differ from these estimates.

3.1 Critical Management Judgment in Applying Accounting Policies

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

(a) Determination of ECL on Trade and Other Receivables

The Company uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type).

The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's trade and other receivables are disclosed in Note 19.2(b).

Based on management evaluation of information and circumstances affecting the Company's trade and other receivables as of the end of the reporting periods, the Company has not recognized any impairment loss.

(b) *Distinction Among Investment Properties and Owner-occupied Properties*

The Company determines whether a property should be classified as investment property or owner-occupied property. The Company applies judgment upon initial recognition of the asset based on intention and also when there is a change in use. In making its judgment, the Company considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

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

(c) *Distinction Between Operating and Finance Leases as a Lessor*

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management assessment, the Company's lease agreements are classified as operating leases.

(d) *Evaluating Principal Versus Agent Consideration*

The Company exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Company is a principal) or to arrange for the other party to provide to those goods or services (i.e., the Company is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Company assessed that it is acting as an agent for utility transactions of its tenants under operating leases. The net amount of utility revenues and utility expenses set off against each other is presented as part of Income from dues under Revenues section of the statements of comprehensive income for the reporting periods presented.

(e) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events. Where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision. Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 18.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding page are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 19.2(b).

(b) *Fair Value Measurement of Investment Properties*

The Company's investment properties, composed of buildings for mixed use, are measured using the fair value model. In determining the fair value of these assets, the Company engages the services of professional and independent appraisers applying the Income Approach. In determining the fair value under the Income Approach, significant estimates are made such as revenues generated, costs and expenses related to the operations of the development and discount rate (see Note 21.3).

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 6 and 21.3.

For investment properties with valuation conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(c) Determination of Realizable Amount of Deferred Tax Asset

The Company reviews its deferred taxes at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Although the Company is not designated as tax-free under the law, as a REIT entity it is exempt from income tax provided it meets certain conditions which includes distribution of a minimum amount of its earnings. The Company assesses that it will continue to comply with the conditions and therefore will not have sufficient taxable income against which it can utilize its net operating loss carry over. As a result, no deferred tax asset was recognized as of December 31, 2024 and 2023 (see Note 14).

(d) Impairment of Non-financial Assets

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

There were no impairment losses on the Company's non-financial assets required to be recognized for the reporting periods presented.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

(Amounts in PHP)	**2024**	2023
Cash on hand and in bank	**1,783,198,297**	813,761,836
Short-term placements	**242,056,796**	865,150,210
	2,025,255,093	1,678,912,046

Cash in bank generally earns interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 30 to 32 days in 2024 and 30 to 33 days in 2023. These short-term placements earn effective interest of 5.88% in 2024 and 6.0% to 6.15% in 2023.

Interest earned from cash in bank and short-term placements in 2024, 2023 and 2022 amounted to P48.7 million, P63.5 million, and P22.0 million, respectively. Interest earned is presented as part of Interest income under Other Income (Charges) section in the statements of comprehensive income.

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

(Amounts in PHP)	**2024**	2023
Current –		
Trade receivables:		
Billed	**243,894,057**	165,668,420
Accrued	**64,100,330**	126,876,356
Others	**81,038,053**	28,699,519
	389,032,440	321,244,295
Non-current –		
Trade receivables –		
Accrued	**204,385,118**	130,022,306
	593,417,558	451,266,601

Billed receivables arise mainly from tenants for rentals of office, retail, hotel, and parking spaces, including dues. These are noninterest-bearing and are generally collectible on 30-day term.

Accrued receivables pertain to receivables resulting from the straight-line method of recognizing rental income.

Other receivables mainly pertain to the advances to the building administration and fit out allowances.

All trade and other receivables are subject to credit risk exposure. However, there was no impairment losses recognized for the reporting periods presented as management believes that the remaining receivables are fully collectible [see Note 19.2(b)]. In addition, the receivables are secured to the extent of advance rent and security deposits received from lessees which provide credit enhancements.

6. INVESTMENT PROPERTIES

The Company's investment properties include several buildings for mixed use, which are being leased out as office, retail, and hotel, including the hotel's parking spaces.

A reconciliation of the carrying amounts of investment properties is shown below.

(Amounts in PHP)	**2024**	2023	2022
Balance at beginning of year	**58,980,800,000**	56,439,000,000	59,261,000,000
Additions	**13,151,500,400**	5,274,000,000	-
Fair value gains (losses)	**790,416,800**	(2,732,200,000)	(2,822,000,000)
Balance at end of year	**72,922,717,200**	58,980,800,000	56,439,000,000

As of December 31, 2024, the Company has a total of 24 investment properties consisting of the following:

Located at McKinley Hill, Fort Bonifacio, Taguig City:
One World Square
Two World Square
Three World Square
8/10 Upper McKinley Building
18/20 Upper McKinley Building
World Finance Plaza
One West Campus (80% owned pro indiviso)
Two West Campus (80% owned pro indiviso)
Ten West Campus (80% owned pro indiviso)
Five West Campus (80% owned pro indiviso)
One Le Grand (80% owned pro indiviso)

Located at Eastwood, Quezon City:
1880 Eastwood Avenue
1800 Eastwood Avenue
E-Commerce Plaza

Located at Iloilo Business Park, Iloilo City:
Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower
One Techno Place
Two Techno Place
Three Techno Place
One Global Center
Two Global Center
Festive Walk 1B
One Fintech Place
Two Fintech Place

Located at Davao Park District, Davao City:
Davao Finance Center

On April 1, 2022, the BOD of the Company approved the proposed subscription of MC to 263,700,000 common shares of the Company for a total subscription price of P5.3 billion to be paid by way of transfer of four prime, grade A, office properties in PEZA-accredited zones.

On March 23, 2023, the SEC issued its confirmation of valuation of the four prime, grade A, office properties in PEZA-accredited zones transferred by MC to the Company in payment of its subscription to 263,700,000 common shares of the Company pursuant to the Deed of Exchange of Property for Shares dated April 5, 2022 (see Note 15.4). Accordingly, the subject properties were transferred to the Company, and 263,700,000 common shares of the Company were issued in the name of MC on March 31, 2023. Pursuant to the amended Deed of Exchange of Property for Shares for this transaction, the Company recognized the income from the Four properties beginning January 1, 2023.

Similarly, on October 10, 2024, the SEC issued its confirmation of valuation of the six prime, grade A, office properties in PEZA-accredited zones transferred by MC to the Company in payment of its subscription to 926,162,000 common shares of the Company pursuant to the Deed of Exchange of Property for Shares dated May 10, 2024 (see Note 15.4). Accordingly, the subject properties were transferred to the Company, and 926,162,000 common shares of the Company were issued in the name of MC on November 19, 2024. Pursuant to the Deed of Exchange of Property for Shares for this transaction, the Company recognized the income from the Six properties beginning October 1, 2024.

The details of the assets transferred to the Company in 2024 are presented below.

	Ownership
One Fintech Place, Megaworld Blvd., Digital Road and Festive Walk Road, Iloilo Business Park, Manduriao, Iloilo City	100%
Two Fintech Place, Megaworld Blvd., Festive Walk Road, Manduriao, Iloilo City	100%
Davao Finance Center, Davao Park District, Agdao, Davao City	100%
Two West Campus, 5 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City	80% pro indiviso
Ten West Campus, 5 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City	80% pro indiviso
One Le Grand, Le Grand Avenue, McWest Blvd and Chateau Road, McKinley West, Fort Bonifacio, Taguig City	80% pro indiviso

The details of the assets transferred to the Company in 2023 are presented below.

	Ownership
Two Global Center, Megaworld Blvd. and Enterprise Rd., Iloilo Business Park, Manduriao, Iloilo City	100%
Festive Walk 1B, Lot 5 Buhang Taft North Mandurriao, Iloilo City	100%
One West Campus, 5 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City	80% pro indiviso
Five West Campus, 15 Le Grand Avenue, McKinley West, Fort Bonifacio, Taguig City	80% pro indiviso

In 2024, 2023 and 2022, rental income from investment properties amounted to P3,464.1 million, P3,223.4 million, and P2,917.8 million, respectively (see Note 11).

The direct operating costs incurred relating to investment properties, which pertain to repairs and maintenance and real property taxes, amounted to P67.3 million, P172.9 million, and P104.1 million in 2024, 2023 and 2022, respectively. These direct operating costs are presented as part of Cost of Services account in the statements of comprehensive income (see Note 12). All investment properties generate rental income.

The fair values of the investment properties as of December 31, 2024 and 2023 were determined based on the latest appraisal reports by an independent real property appraiser, which uses the income approach (see Note 21.3). The related fair value gain in 2024 and fair value losses in 2023 and 2022, are presented as Fair Value Gains (Losses) on Investment Properties in the statements of comprehensive income.

7. OTHER ASSETS

The Company's other assets consist of the following:

(Amounts in PHP)	**2024**	2023
Current:		
Creditable withholding taxes	**157,964,435**	110,789,901
Prepaid expenses	**89,998,106**	72,156,399
Deferred input value added tax (VAT)	**74,051,496**	76,157,097
Supplies	**4,538,279**	-
Creditable VAT withheld	**1,866,495**	2,489,984
	328,418,811	261,593,381
Non-current:		
Advances to contractors	**131,251,893**	4,193,839
Deferred charges	**66,527,664**	53,671,308
Security deposit	**26,458,224**	20,649,401
Others	**-**	33,430
	224,237,781	78,547,978
	552,656,592	340,141,359

Security deposit is related to the lease of certain parcels of land on which the investment properties stand (see Note 15.2). The related interest income recognized from subsequent amortization of the security deposit in 2024, 2023 and 2022 amounted to P1.5 million, P1.2 million, and P1.0 million, respectively. Interest earned is presented as part of Interest income under Other Income (Charges) section in the statements of comprehensive income.

Deferred charges pertain to the difference between the nominal values of the security deposits and their fair values. These are initially measured at fair value and subsequently amortized using the straight-line method. Amortization of deferred charges is presented as part of Miscellaneous under Cost of Services account in the statements of comprehensive income (see Note 12).

Advances to contractors consists of advance payment to contractors for aircon related repairs and enhancement.

8. ACCOUNTS AND OTHER PAYABLES

The details of this account are as follows:

(Amounts in PHP)	Notes	**2024**	2023
Accounts payable	15.2, 15.3 15.5	**197,854,085**	460,332,383
Accrued expenses	15.3	**482,385,265**	240,679,842
Output VAT payable		**50,385,431**	49,652,443
Deferred output VAT		**27,320,806**	19,590,863
Deferred revenue		**16,089,623**	-
Withholding taxes		**12,548,480**	4,909,493
Interest payable	10	**8,055,636**	8,055,636
Others		**15,392,632**	2,461,700
		810,031,958	785,682,360

Deferred revenue consists of advance payments received from tenants for common area service charges attributable to the six newly acquired properties, which will be recognized as revenue over the next 12 months.

9. DEPOSITS AND OTHER LIABILITIES

The details of this account are as follows:

(Amounts in PHP)	Notes	**2024**	2023
Current:			
Advance rent	15.1, 18.1	**367,731,879**	249,188,852
Security deposit	15.1, 18.1	**299,270,394**	148,131,106
Deferred credits		**4,759,137**	4,899,671
		671,761,410	402,219,629
Non-current:			
Advance rent	15.1, 18.1	**263,184,311**	224,919,982
Security deposit	15.1, 18.1	**753,593,448**	631,021,852
Deferred credits		**93,635,709**	62,019,684
		1,110,413,468	917,961,518
		1,782,174,878	1,320,181,147

Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligations under the lease contracts. These are equivalent to three months' rent for office and six months' rent for commercial spaces and will be refunded to the lessee at the end of the lease term. The related accretion of interest presented as part of Interest expense under Other Income (Charges) - net in the statements of comprehensive income amounted to P30.9 million, P34.2 million, and P36.3 million in 2024, 2023 and 2022, respectively.

A reconciliation of security deposits as of December 31, 2024 and 2023 is shown below.

(Amounts in PHP)	**2024**	2023	2022
Balance at beginning of year	**779,152,958**	712,839,074	675,215,622
Additions	**242,843,556**	32,090,084	1,345,783
Accretion of interest	**30,867,328**	34,223,800	36,277,669
Balance at end of year	**1,052,863,842**	779,152,958	712,839,074

Advance rentals from lessees represent cash received in advance representing three months' rent which will be applied to the last three months' rentals on the related lease contracts.

Deferred credits pertain to the difference between the nominal values of the deposits and their fair values. These are initially measured at fair value and subsequently amortized using the straight-line method.

A reconciliation of deferred credits is shown below.

(Amounts in PHP)	**2024**	2023	2022
Balance at beginning of year	**66,919,355**	84,163,376	110,140,347
Additions	**62,541,895**	17,362,471	12,385,578
Amortization	**(31,066,404)**	(34,606,492)	(38,362,549)
Balance at end of year	**98,394,846**	66,919,355	84,163,376

Amortization of deferred credits is presented as part of Rental income under Revenues section in the statements of comprehensive income (see Note 11).

10. INTEREST-BEARING LOAN

In December 2021, the Company obtained an unsecured, 10-year, P7.25 billion term loan from a local bank to finance the acquisition of investment properties (see Note 6). The principal is payable quarterly in installments beginning on the last quarter of the fifth year with a balloon payment at the end of the term. Interest is payable quarterly at 3.64% per annum subject to repricing in 2025.

The Company is required to maintain at all times minimum Fixed Charge Coverage Ratio of 2.0x and a maximum Leverage Ratio of either 35% of Deposited Properties or 70% of Deposited Properties, if the borrower has a publicly disclosed investment grade credit rating by a SEC-accredited or internationally recognized rating agency to comply with its debt covenants with a certain local bank. As of December 31, 2024 and 2023, the Company is in compliance with such financial covenant obligations.

Total capitalized loan origination costs amounted to P54.4 million. Amortization for the years ended December 31, 2024, 2023 and 2022 amounted to P5.5 million, and is presented as part of Interest expense under Other Income (Charges) – net in the statements of comprehensive income.

The related interest incurred amounted to P268.0 million, P267.3 million, and P267.4 million in 2024, 2023 and 2022, respectively, and this is presented as part of Interest expense under Other Income (Charges) - net in the statements of comprehensive income. The related accrual is presented as Interest payable under Accounts and Other Payables in the statements of financial position (see Note 8).

The reconciliation of the unamortized loan origination costs is presented below.

(Amounts in PHP)	**2024**	2023
Balance at beginning of year	**43,302,513**	48,758,739
Amortization	**(5,475,324)**	(5,456,226)
Balance at end of year	**37,827,189**	43,302,513

11. RENTAL INCOME

The Company derives its revenues from contracts with customers through leasing real properties. The breakdown of rental income as reported in the statements of comprehensive income is shown below.

(Amounts in PHP)	Note	**2024**	2023	2022
Office		**3,165,006,838**	2,937,940,509	2,685,516,839
Commercial		**197,905,938**	188,644,599	131,765,294
Hotel		**56,400,000**	56,400,000	56,400,000
Advertising		**12,340,551**	4,447,035	4,447,035
Parking		**1,410,068**	1,344,080	1,293,968
Amortization of deferred credits	9	**31,066,404**	34,606,492	38,362,549
		3,464,129,799	3,223,382,715	2,917,785,685

Rental income from office, retail and advertising includes income from straight-line method of recognizing rental income amounting to P11.6 million, P62.7 million, and P123.5 million in 2024, 2023 and 2022, respectively.

Rental income also includes variable lease payments amounting to P34.0 million, P26.3 million, and P21.7 million in 2024, 2023 and 2022, respectively, which do not depend on an index or a rate.

12. COST OF SERVICES

The following are the details of cost of services in 2024, 2023 and 2022:

(Amounts in PHP)	Notes	**2024**	2023	2022
Outside service		**252,724,394**	246,110,000	178,224,665
Management fees	15.3	**248,243,286**	228,607,745	200,682,199
Utilities		**190,617,013**	146,641,453	134,251,052
Land lease	15.2, 18.2	**85,262,585**	39,512,606	-
Supplies and materials		**47,735,106**	63,935,320	28,689,642
Repairs and maintenance		**39,618,983**	144,933,911	82,949,835
Taxes and licenses		**34,454,821**	32,511,921	24,567,523
Insurance		**24,519,534**	16,766,335	11,742,529
Miscellaneous	7	**55,127,929**	21,549,674	15,103,748
		978,303,651	940,568,965	676,211,193

13. OTHER OPERATING EXPENSES

Presented below are the details of other operating expenses.

(Amounts in PHP)	Note	**2024**	2023	2022
Taxes and licenses		**48,158,673**	31,314,680	18,555,936
Professional fees		**33,954,007**	16,903,038	5,942,958
Outside services	15.5	**5,469,780**	5,469,780	5,469,780
Advertising and promotion		**1,274,014**	4,321,061	3,829,094
Salaries and employee benefits		**503,493**	2,873,346	3,111,376
Transportation and travel		**82,889**	30,219	18,421
Depreciation		**42,459**	25,661	25,661
Office supplies		**34,650**	101,359	47,647
Miscellaneous		**2,984,350**	1,157,801	399,410
		92,504,315	62,196,945	37,400,283

14. INCOME TAXES

Tax expense in 2024, 2023 and 2022 pertains to the 20% final tax on interest income amounting to P9.6 million, P12.6 million, and P4.4 million, respectively.

A reconciliation of tax on pretax profit or loss computed at the applicable statutory rates to tax expense or income reported in the statements of comprehensive income in 2024, 2023 and 2022 is presented below.

(Amounts in PHP)	**2024**	2023	2022
Tax on pre-tax profit (loss) at 25%	**995,860,838**	45,232,598	(43,051,178)
Changes in unrecognized deferred taxes	**(296,184,593)**	638,239,162	665,942,389
Adjustment for income subjected to lower tax rates	**(2,604,453)**	(3,294,671)	(1,156,976)
Tax effects of:			
Deductible dividend distribution	**(690,777,568)**	(671,765,470)	(618,470,648)
Non-deductible expenses	**11,410,795**	13,116,776	10,930,654
Non-taxable income	**(8,131,509)**	(8,941,858)	(9,845,406)
	9,573,510	12,586,537	4,348,835

The Company is subject to regular corporate income tax (RCIT) of 25% of net taxable income. However, the Company did not recognize RCIT during the reporting periods since the Company reported zero net taxable income in 2024, 2023 and 2022.

The Company is not subject to the minimum corporate income being a REIT entity.

The Company opted to claim itemized deduction in 2024, 2023 and 2022. In addition, the Company's dividend distribution can be claimed as a special deduction in computing for taxable income both under optional standard deduction and itemized deductions.

15. RELATED PARTY TRANSACTIONS

The Company's related parties include the Parent Company and related parties under common ownership. A summary of the Company's transactions and outstanding balances with its related parties is presented below.

		Amounts of Transactions			Outstanding Receivable (Payable)	
(Amounts in PHP)	Note	**2024**	2023	2022	**2024**	2023
Parent Company						
Rendering of services	15.1	**596,615,253**	185,404,218	190,288,374	**61,964,065**	48,452,534
Advance rent	15.1	**-**	(2,810)	(3,713,545)	**(3,716,355)**	(3,716,355)
Security deposits received	15.1	**(38,540,189)**	(2,187,218)	(8,979,924)	**(67,824,930)**	(29,284,741)
Security deposits paid	15.2	**5,808,822**	1,160,939	22,782,651	**26,458,224**	20,649,401
Property-for-share swap	15.4	**13,151,500,400**	5,274,000,000	-	**-**	-
Collections remitted	15.4	**623,507,216**	207,263,800	-	**-**	-
Land lease	15.2	**84,332,887**	39,512,606	-	**(25,282,946)**	(19,981,967)
Related parties under common ownership:						
Land lease	15.2	**929,698**	-	-	**(929,698)**	-
Advance rent	15.1	**-**	-	(96,529)	**(8,713,747)**	(8,713,745)
Security deposits received	15.1	**(798,146)**	-	(2,258,173)	**(25,926,618)**	(25,128,472)
Rendering of services	15.1	**128,786,137**	127,750,635	127,753,385	**107,618,551**	82,173,827
Management services	15.3	**248,243,286**	228,607,745	200,682,199	**(210,449,598)**	(310,353,006)
Key Management Personnel						
Compensation	15.5	**5,469,780**	5,469,780	5,469,780	**5,469,780**	5,469,780

15.1 Rendering of Services to Related Parties

The Company leases some of its investment properties to the Parent Company and other related parties under common ownership with rental payments mutually agreed generally before the commencement of the lease. Most of the leases have terms ranging from 5 to 25 years, with renewal options, and include annual escalation rates of 5% to 10%, except for contingent rent. The revenues earned from these related parties are included as part of Rental income under Revenues section in the statements of comprehensive income (see Note 11). The related outstanding receivables from these transactions, which are collectible on demand, unsecured and noninterest-bearing, are presented as part of Trade receivables under the Trade Receivables account in the statements of financial position (see Note 5). Advanced rentals and security deposits relating to this transaction are presented as part of current and non-current portion of Deposits and Other Liabilities account in the statements of financial position (see Note 9).

15.2 Land Lease Agreement

The Company entered into land lease agreements with MC over the land on which its investment properties stood for a period of 25 years, renewable for another 25 years, at the option of the Company, on terms and conditions mutually acceptable to the parties. As consideration for the land lease, the Company shall pay MC rent equivalent to: (a) 2.5% of gross rental income for office, retail and commercial properties for the period July 1, 2023 and until June 30, 2025, and 5% thereafter; and, (b) 1.5% of gross rental income for hotel properties for the period July 1, 2023 and until June 30 2025, and 3% thereafter.

Deposit paid by the Company from the land lease agreement with MC will be refunded at the end of the lease term at face value and was presented as Security deposit under Other Non-current Assets in the statements of financial position (see Note 7). As of December 31, 2024 and 2023, the fair value of the security deposit amounts to P26.5 million and P20.6 million, respectively.

In 2024, the Company entered into land lease agreement with a related party under common ownership, over the land on which certain investment properties stood for a period of 25 years, renewable for another 25 years, at the option of the Company, on terms and conditions mutually acceptable to the parties. As consideration for the land lease, the Company shall pay rent equivalent to: (a) 2.5% of gross rental income for office and retail properties for the period October 1, 2024 and until June 30, 2025, and 5% thereafter; and, (b) 1.5% of gross rental income for hotel properties for the period October 1, 2024 and until June 30, 2025, and 3% thereafter.

The Company incurred a total of P85.3 million in 2024 and P39.5 million in 2023 for the land lease, which is presented as part of Cost of Services in the 2024 and 2023 statements of comprehensive income. There was no similar transaction in 2022. The outstanding balance, which is payable on demand, unsecured and noninterest-bearing, of P26.2 million and P20.0 million as of December 31, 2024 and 2023, respectively, is presented as part of Accounts payable under Accounts and Other Payables account in the statements of financial position (see Note 8).

15.3 Management Services

The fund management function of the Company is handled by MREIT Fund Managers, Inc., a subsidiary of MC, in exchange for a fee. Management fee is payable annually equivalent to 3.5% of the Company's gross revenues but shall not exceed 1% of the net asset value of the properties under management.

The operations and management of the properties and facilities of the Company are handled by MREIT Property Managers, Inc., a subsidiary of MC, in exchange for a fee. Property management fee is payable quarterly equivalent to 2% of the Company's gross revenues but shall not exceed 1% of the net asset value of the properties under management.

The Company recognized a total of P248.2 million, P228.6 million and P200.7 million management fees in 2024, 2023 and 2022, which is presented as part of Cost of Services in the statements of comprehensive income. The outstanding balance, which is payable on demand, unsecured and noninterest-bearing, of P210.4 million and P310.4 million as of December 31, 2024 and 2023, respectively, are presented as part of Accounts payable and Accrued expenses under Accounts and Other Payables account in the statements of financial position (see Note 8).

15.4 Property-for-share Swap

In line with the Company's investment plan to infuse around 100,000 square meters of additional office gross leasable area in 2022, the BOD approved on April 1, 2022 the subscription of MC to 263,700,000 shares of the Company to be paid by way of transfer of four grade A buildings in PEZA-registered zones (see Note 6). Pursuant to the Amended Deed of Exchange of Property for Shares between the two parties, all collections of rental fees, security deposits and advanced rent from January 1, 2023 on the covered properties shall be remitted by MC to the Company. In 2023, MC remitted P207.3 million to the Company.

Similarly, pursuant to the Company's investment plan to infuse assets to reach 500,000 square meters of gross leasable area before the end of 2024, the BOD approved on May 10, 2024 the subscription of MC to 926,162,000 shares of the Company to be paid by way of transfer of six grade A buildings in PEZA-registered zones (see Note 6). Pursuant to the Deed of Exchange of Property for Shares between two parties, the Company shall start recognizing the income from the six properties from the start of the fourth quarter of 2024. In 2024, MC remitted P623.5 million to the Company.

In 2024 and 2023, MC transferred certain real properties for lease to the Company amounting to P13,151.5 million and P5,274.0 million, respectively (see Note 6).

15.5 Key Management Personnel Compensation

Key management personnel compensation pertains to payment for outsourced management services included within Outside services under Other Operating Expenses in the statements of comprehensive income (see Note 13). As of December 31, 2024 and 2023, the outstanding balance of both P5.5 million is presented as part of Accounts payable under Accounts and Other Payables account in the statements of financial position (see Note 8).

16. EQUITY

16.1 Capital Stock

Capital stock consists of:

	Shares			Amounts in PHP		
	2024	2023	2022	**2024**	2023	2022
Common shares						
Authorized	**5,000,000,000**	5,000,000,000	5,000,000,000	**5,000,000,000**	5,000,000,000	5,000,000,000
Issued and outstanding						
Balance at beginning of year	**2,795,821,381**	2,532,121,381	2,532,121,381	**2,795,821,381**	2,532,121,381	2,532,121,381
Issuance	**926,162,000**	263,700,000	-	**926,162,000**	263,700,000	-
Balance at end of year	**3,721,983,381**	2,795,821,381	2,532,121,381	**3,721,983,381**	2,795,821,381	2,532,121,381

On October 2, 2020, the Company was incorporated with a total authorized capital stock of P5,000,000,000 divided into 50,000,000 common shares with a P100 par value per share, of which P10,000,000 had been subscribed and paid.

On February 1, 2021, MC has subscribed to and paid for 12,400,000 shares with par value of P100 per share or a total of P1,240,000,000.

On April 7, 2021, majority of the members of the BOD and stockholders of MREIT approved the amendments to the Articles of Incorporation and By-Laws of MREIT, which include, among others, the change in par value of common shares from P100 to P1, resulting in an increase in the number of authorized common shares from 50,000,000 to 5,000,000,000 and subscribed common shares from 12,500,000 to 1,250,000,000. On May 19, 2021, the Company obtained approval of the amendments from the SEC (see Note 1).

On May 28, 2021, an individual stockholder subscribed and paid 1,000 common shares of the Company with par value of P1 per share or a total subscription price of P1,000.

On June 2, 2021, on consummation of the Deed of Exchange of Property and Shares in relation to the Property-for-Share Swap transaction with MC, the Company issued 1,282,120,381 common shares at par value of P1 per share (see Notes 1 and 6). In addition, the Company recognized additional paid-in capital (APIC) amounting to P47,920,287,239, less shares issuance costs amounting to P12.8 million.

On June 16, 2021, the Company filed its application with the PSE for the listing of its 2,532,121,381 existing common shares. The listing application was approved by PSE on August 9, 2021 which includes the Secondary Offer Shares of 844,300 common shares with an Overallotment Option of up to 105,537,500 common shares to be offered and sold by MC to the public, under the Main Board of the PSE with an offer price of P16.10 per share. The PSE approved the listing application of the Company on August 9, 2021.

Also on June 16, 2021, the Company filed a Registration Statement covering the registration of 2,532,121,381 existing common shares, in accordance with the requirements of the SEC's Securities Regulation Code. The Registration Statement was rendered effective on September 13, 2021.

On October 1, 2021, the common shares of the Company were listed as a REIT company under the Main Board of the PSE.

On April 1, 2022, the BOD of the Company approved the proposed subscription of MC to 263,700,000 common shares of the Company for a total subscription price of P5.3 billion to be paid by way of transfer of four prime, grade A, office properties in PEZA-accredited zones. On March 23, 2023, the SEC issued its confirmation of the valuation of the property-for-share swap. Consequently, on March 31, 2023, the Company issued 263,700,000 common shares.

On May 22, 2023, the Company filed the application for listing of the additional shares with the PSE. The additional shares are listed with the PSE on July 18, 2024. In addition, the Company recognized APIC in 2023 amounting to P5,010,300,000, less issuance cost amounting to P135.0 million.

On May 10, 2024, the BOD of the Company approved the subscription of MC to 926,162,000 common shares of the Company for a total subscription price of P13.2 billion to be paid by way of transfer of six prime, grade A, office properties in PEZA-accredited zones. On October 10, 2024, the SEC issued its confirmation of the valuation of the property-for-share swap. Consequently, on November 19, 2024, the Company issued 926,162,000 common shares.

On November 22, 2024, the Company filed the application for listing of the additional shares with the PSE, which is still pending as of the issuance date of the Company's financial statements. The Company recognized APIC in 2024 amounting to P12,225,338,400, less issuance cost amounting to P211.2 million.

There are 28,547 and 25,989 shareholders of at least one board lot of the listed shares as of December 31, 2024 and 2023, respectively. As of December 27, 2024 and December 29, 2023, the last trading dates for each year, the shares closed at P13.34 and P12.30 per share, respectively.

16.2 Dividends

The details of the Company's cash dividend declarations are as follows:

2024	**Q4**	**Q3**	**Q2**	**Q1**
Declaration date/approved by BOD	Nov. 4, 2024	August 2, 2024	May 10, 2024	March 1, 2024
Date of record	Nov. 18, 2024	August 16, 2024	May 24, 2024	March 18, 2024
Date of payment	Dec. 3, 2024	August 30, 2024	June 14, 2024	April 5, 2024
Amounts declared to common	P 695,879,942	P 691,686,210	P 687,772,060	P 687,772,060
Per share value	P 0.2489	P0.2474	P 0.2460	P 0.2460

2023	Q4	Q3	Q2	Q1
Declaration date/approved by BOD	Nov. 6, 2023	August 8, 2023	May 12, 2023	Jan. 6, 2023
Date of record	Nov. 20, 2023	August 23, 2023	May 29, 2023	Jan. 24, 2023
Date of payment	Dec. 14, 2023	Sept. 14, 2023	June 19, 2023	Feb. 15, 2023
Amounts declared to common	P 687,772,060	P 692,245,374	P 692,245,374	P 614,799,071
Per share value	P 0.2460	P0.2476	P 0.2476	P 0.2428

2022	Q4	Q3	Q2	Q1
Declaration date/approved by BOD	Nov. 11, 2022	August 5, 2022	April 22, 2022	March 4, 2022
Date of record	Nov. 25, 2022	August 19, 2022	May 10, 2022	March 18, 2022
Date of payment	Dec. 15, 2022	Sept. 9, 2022	May 31, 2022	March 31, 2022
Amounts declared to common	P 618,850,466	P 624,927,557	P 615,305,496	P 607,455,919
Per share value	P 0.2444	P0.2468	P 0.2430	P 0.2399

16.3 Distributable Income

The computation of the distributable income of the Company for the year ended December 31 is shown below.

(Amounts in PHP)	**2024**	2023	2022
Net income (loss)	**3,973,869,843**	168,343,855	(176,553,547)
Fair value adjustment of investment property resulting to loss (gain)	**(790,416,800)**	2,732,200,000	2,822,000,000
Unrealized gains or adjustments to income as a result of certain transactions accounted for under PFRS Accounting Standards	**(42,653,190)**	(97,293,999)	(121,191,720)
Adjustments due to any prescribed accounting standard which result to a loss	**37,480,908**	40,881,185	1,939,137
Distributable income	**3,178,280,761**	2,844,131,041	2,526,193,870

17. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share amounts were computed as follows:

(Amounts in PHP)	**2024**	2023	2022
Net profit (loss) for the year	**3,973,869,843**	168,343,855	(176,553,547)
Divided by weighted number of outstanding common shares	**2,903,873,614**	2,729,896,381	2,532,121,381
Basic and diluted earnings (loss) per share	**1.37**	0.06	(0.07)

The Company has no potential dilutive common shares during the reporting periods.

18. COMMITMENTS AND CONTINGENCIES

18.1 Operating Lease Commitments – Company as a Lessor

The Company is a lessor under several operating leases covering real estate properties for office and commercial use (see Note 6). The future minimum lease receivable under these agreements as of December 31, 2024 and 2023 are shown below.

(Amounts in PHP)	**2024**	2023
Within one year	**4,711,624,718**	2,917,612,931
After one year but not more than two years	**4,133,956,015**	2,547,489,544
After two years but not more than three years	**3,337,775,440**	1,740,895,275
After three years but not more than four years	**2,444,406,864**	1,051,335,041
After four years but not more than five years	**1,735,493,813**	673,081,114
More than five years	**4,442,140,557**	2,598,259,220
	20,805,397,407	11,528,673,125

The Company is subject to risk incidental to the operation of its office and commercial properties, which include, among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from tenants due to bankruptcy or insolvency of tenants. Majority of the Company's revenue from rental properties are derived from commercial and BPO-based tenants. If the expected growth, particularly from BPO-based tenants, does not meet management's expectations, or in the case of commercial tenants more stringent health measures are imposed resulting to further temporary or permanent closures of commercial establishments, the Company may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To mitigate these risks, the Company requires security deposits and advanced rentals representing three months' and six months' rent from office and commercial tenants, respectively (see Note 9).

18.2 Operating Lease Commitments – Company as a Lessee

The Company entered into a land lease agreement with MC and a related party under common ownership, over the land on which its investment properties stood for a period of 25 years, renewable for another 25 years (see Note 15.2). Variable lease payments for the land lease with MC and the related party will commence on July 1, 2023, and October 1, 2024, respectively. The lease agreement does not contain any fixed lease payments. In addition, the lease agreement with MC involves payment for security deposit (see Note 7).

The related variable lease expense incurred amounting to P85.3 million and P39.5 million in 2024 and 2023, respectively, is presented as Land lease under the Cost of Services account in the statements of comprehensive income (see Note 12).

18.3 Others

There are commitments and contingent liabilities that may arise in the normal course of the Company's operations, which are not reflected in the financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Company's financial statements.

19. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to its financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 20. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated with its parent company, in close coordination with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial risks.

The Company does not engage in trading of financial assets for speculative purposes. The relevant financial risks to which the Company is exposed are discussed below.

19.1 Market Risk

As of December 31, 2024 and 2023, the Company is exposed to market risk through its cash in banks, which are subject to changes in market interest rates. However, management believes that the related interest rate risk exposure is not significant. All other financial assets and financial liabilities are either noninterest-bearing or subject to fixed interest rates.

19.2 Credit Risk

The Company's credit risk is attributable to trade and other receivables and other financial assets. The Company maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties. In addition, for trade receivables, security deposits and advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized below.

(Amounts in PHP)	Notes	**2024**	2023
Cash and cash equivalents	4	**2,025,255,093**	1,678,912,046
Trade and other receivables	5	**593,417,558**	451,266,601
Security deposit	7	**26,458,224**	20,649,401
		2,645,130,875	2,150,828,048

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

The Company applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from third parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Company has therefore concluded that the expected loss rates for Trade receivables are a reasonable approximation of the loss rates for the other assets.

Management considers the ECL on the Company's trade and other receivables to be negligible taking into consideration the counterparties' ability to repay at the reporting date and the actual collection from such counterparties during the reporting periods.

Furthermore, the Company considers credit enhancements in determining the expected credit loss. Trade receivables are collateralized by advance rental and security deposits received from lessees.

The estimated fair value of collateral and other security enhancements held against trade and other receivables as of December 31, 2024 and 2023 is presented below.

(Amounts in PHP)	**Gross Maximum Exposure**	**Fair Value of Collaterals**	**Net Exposure**
As of December 31, 2024	**593,417,558**	**1,683,780,032**	**-**
As of December 31, 2023	451,266,601	1,253,261,792	-

(c) *Security Deposit*

The credit risk for security deposit is considered negligible as the Company has ongoing lease agreement with the counterparty and the latter is considered to be with sound financial condition and sufficient liquidity. The security deposit can also be applied against future rental payments in cases of default.

19.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a 6-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits, or short-term marketable securities.

As at December 31, 2024 and 2023, the Company's financial liabilities have contractual maturities which are presented below.

(Amounts in PHP)	**Within 1 Year**	**1 to 5 Years**	**More than 5 Years**
December 31, 2024			
Interest-bearing loan	470,155,247	1,999,814,229	8,072,679,275
Security deposits	210,919,111	687,712,822	256,376,203
Accounts payable	197,854,085	-	-
Accrued expenses	482,385,265	-	-
	1,361,313,708	**2,687,527,051**	**8,329,055,478**
December 31, 2023			
Interest-bearing loan	257,347,079	1,978,800,374	8,572,225,343
Security deposits	179,856,807	582,625,738	81,535,377
Accounts payable	460,332,383	-	-
Accrued expenses	240,679,842	-	-
	1,138,216,111	2,561,426,112	8,653,760,720

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

20. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

20.1 Carrying Amounts and Fair Value by Category

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

(Amounts in PHP)		**2024**		2023	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Financial assets at amortized cost:					
Cash and cash equivalents	4	**2,025,255,093**	**2,025,255,093**	1,678,912,046	1,678,912,046
Trade and other receivables	5	**593,417,558**	**593,417,558**	451,266,601	451,266,601
Security deposit	7	**26,458,224**	**25,782,163**	20,649,401	19,570,069
		2,645,130,875	**2,644,454,814**	2,150,828,048	2,149,748,716
Financial liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loan	10	**7,212,172,904**	**7,212,172,904**	7,206,697,580	7,206,697,580
Security deposits	9	**1,052,863,842**	**1,021,797,438**	779,152,958	744,498,127
Accounts payable	8	**197,854,085**	**197,854,085**	460,332,383	460,332,383
Accrued expenses	8	**482,385,265**	**482,385,265**	240,679,842	240,679,842
Interest payable	8	**8,055,636**	**8,055,636**	8,055,636	8,055,636
		8,953,331,732	**8,922,265,328**	8,694,918,399	8,660,263,568

A description of the Company's risk management objectives and policies for financial instruments is provided in Note 19.

20.2 Offsetting of Financial Assets and Financial Liabilities

Except when applicable for the offsetting of rental receivables and rental deposits arising from the normal course of the Company's leasing activities, the Company has not set off financial instruments and do not have relevant offsetting arrangements. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Company's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances.

21. FAIR VALUE MEASUREMENT AND DISCLOSURE

21.1 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 Accounting Standards, 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 the 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.

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

The Company's financial assets which are not measured at fair value in the statements of financial position but for which fair value is disclosed only include cash and cash equivalents categorized as Level 1. All other financial assets and financial liabilities are categorized under Level 3.

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the 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 based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

21.3 Fair Value Measurement of Investment Properties

As of December 31, 2024 and 2023, the Company's investment properties amounting to P73.0 billion and P59.0 billion, respectively, are classified under Level 3 of the hierarchy of fair value measurements.

The fair values of the Company's investment properties (see Note 6) are determined on the basis of the appraisals performed by Cuervo Appraisers, Inc. in 2024 and Santos Knight Frank, Inc. in 2023. Both are independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. Briefly describing the valuation method used, the approach converts anticipated future gains to present worth by projecting reasonable income and expenses for the properties. 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 Company's investment property is its current use.

Fair value as determined by both independent appraisers are based on the Income Approach. Under the Income Approach, the fair value of an asset is measured by calculating the present value of its economic benefits by discounting expected cash flows at a rate of return that compensates the risks associated with the particular investment. The most common approach in valuing future economic benefits of a projected income stream is the discounted cash flows model. This valuation process of this model consists of the following: (a) estimation of the revenues generated; (b) estimation of the costs and expenses related to the operations of the development; (c) estimation of an appropriate discount rate; and (d) discounting process using an appropriate discount rate to arrive at an indicative fair value. The most significant inputs used in this model are the estimated expected future annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

The fair value is sensitive to changes in discount rate, terminal capitalization rate and market rental. A change in these unobservable inputs would have the following impact on fair value:

	Increase	**Decrease**
Discount rate	Decrease	Increase
Terminal capitalization rate	Decrease	Increase
Increase in market rental	Increase	Decrease

The discount rates and terminal capitalization rates were determined with reference to published risk free rates and risk premium rates at the date of valuation.

Also, there were no transfers into or out of Level 3 fair value hierarchy.

22. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Company manages the capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's total liabilities and total equity are presented below.

(Amounts in PHP)	**2024**	2023
Total liabilities	**9,804,379,740**	9,312,561,087
Total equity	**66,289,666,703**	52,138,558,919

Under REIT Act, the Company is subject to external capital requirement to have a minimum paid-up capital of P300.0 million, which was complied with as of the reporting periods presented.

23. OPERATING SEGMENT

The Company has determined that it operates as one operating segment. The Company's only income-generating activity is the lease of its buildings, which is the measure used by the Chief Operating Decision Maker in allocating resources.