COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	2	0	5	2	2	9	4

Company Name

M R E I T , I N C .

Principal Office (No./Street/Barangay/City/Town/Province)

1 8 / F , A L L I A N C E G L O B A L T O W E R ,
3 6 T H S T . , C O R . 1 1 T H A V E. ,
U P T O W N B O N I F A C I O , T A G U I G C I T Y

FORM TYPE	DEPARTMENT REQUIRING THE REPORT	SECONDARY LICENSE TYPE. IF APPLICABLE
A F S	C R M D	

COMPANY INFORMATION

COMPANY EMAIL ADDRESS	COMPANY'S TELEPHONE NUMBER	MOBILE NUMBER
COMPLIANCE@MREIT.COM.PH	(632) 8894-6400	(0917) 8788206
NO. OF STOCKHOLDERS	**ANNUAL MEETING (MONTH/DAY)**	**FISCAL YEAR (MONTH/DAY)**
12	JUNE 02	DECEMBER 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

NAME OF CONTACT PERSON	EMAIL ADDRESS	TELEPHONE NO.	MOBILE NUMBER
ATTY. KARREN MAE C. DE CHAVEZ-REODICA	COMPLIANCE@MREIT.COM.PH	(632) 8857-9856	(0917) 7062397

CONTACT PERSON'S ADDRESS

30TH FLOOR, ALLIANCE GLOBAL TOWER, 36TH STREET CORNER 11TH AVENUE, UPTOWN BONIFACIO, TAGUIG CITY 1634, PHILIPPINES

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

Note 2: All boxes must be properly and completely filled-up. Failure to do so shall cause delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

Gmail

Megaworld Holdings <megaworldholdingsinc@gmail.com>

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph> Mon, Apr 17, 2023 at 3:40 PM
To: MEGAWORLDHOLDINGSINC@gmail.com
Cc: MEGAWORLDHOLDINGSINC@gmail.com

Hi MREIT, INC.,

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Transaction Code: **AFS-0-6JJKJCG03VNVM2XQZPYYZ1S0CFLJ87HF**
Submission Date/Time: **Apr 17, 2023 03:40 PM**
Company TIN: **502-228-971**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

M·REIT
A MEGAWORLD COMPANY

18th Floor Alliance Global Tower 36th St. cor. 11th Avenue, Uptown Bonifacio, Taguig City

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, 2022, 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

GIOVANNI C. NG
Treasurer

Signed this 27th day of February 2023

SUBSCRIBED AND SWORN to before me this ______ day of 27 FEB 2023 at MAKATI CITY, Philippines, affiants exhibiting to me their Tax Identification Nos. as follows:

Franciso C. Canuto	102-956-483-000
Kevin Andrew Tan	224-803-734-000
Giovanni C. Ng	164-662-351-000

ATTY. RAYMOND A. RAMOS
COMMISSION NO M-077
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2024
5 KALAYAAN AVENUE EXTENSION
BARANGAY WEST REMBO 1215 MAKATI CITY
SC Roll No 62179/04-26-2013
IBP NO 258534/01-02-2023/Pasig City
PTR NO. MKT 9562350/01 03 2023/Makati City
MCLE Compliance No. VII 0020180/04-14-2025

Doc. No. 325;
Page No. 66;
Book No. 256;
Series of 2023

P&A Grant Thornton

FOR SEC FILING

Financial Statements and Independent Auditors' Report

MREIT, Inc.

For the Year Ended December 31, 2022 and
Six Months Ended December 31, 2021 and June 30, 2021

P&A Grant Thornton

Shaping a Vibrant Tomorrow
#BoldPerspectives #DivergentThinking #ForgingPaths

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, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended December 31, 2022 and the six months ended December 31, 2021 and June 30, 2021, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and the six months ended December 31, 2021 and June 30, 2021, in accordance with Philippine Financial Reporting Standards (PFRS).

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.

Emphasis of Matter

As more fully described on Note 1 to the financial statements, the Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. Subsequently, the Company applied with the SEC in October 2021 for the amendments in its By-laws for a change in its reporting period from fiscal year beginning July 1 and ending June 30 to calendar year beginning January 1 and ending December 31, and such amendment was approved by the SEC and Bureau of Internal Revenue (BIR) on November 4, 2021 and November 25, 2021, respectively.

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.

Valuation of Investment Properties

Description of the Matter

The fair value of investment properties 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 compensates the risks associated with a particular investment. The total fair value of investment properties as of December 31, 2022 is P56.4 billion, which represents 96% of the total assets of the Company. The valuation of investment properties is significant to our audit because of the significance of the amount to the financial statements and because the measurement involves application of significant judgments and estimates.

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 valuation approach used is fully described in Note 21 to the financial statements.

How the Matter was Addressed in the Audit

We have evaluated the independence and competence of the independent appraisers by obtaining an understanding of their qualifications, experience and track record. 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 key inputs used 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, 2022, 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 period ended December 31, 2022 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, 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

The supplementary information for the year ended December 31, 2022 required by the BIR is presented by the management of the Company in a supplementary schedule filed separately from the basic financial statements. The BIR requires the information to be presented in the notes to financial statements. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is also not a required disclosure under Revised Securities Regulation Code Rule 68 of the SEC. Such supplementary information is the responsibility of management. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 9566641, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 27, 2023

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	4	**P 1,380,526,060**	P 1,333,805,607
Trade and other receivables	5	**263,951,215**	88,118,786
Other current assets	7	**268,309,116**	71,262,351
Total Current Assets		**1,912,786,391**	1,493,186,744
NON-CURRENT ASSETS			
Trade receivables	5	**45,889,816**	56,558,890
Investment properties	6	**56,439,000,000**	59,261,000,000
Other non-current assets	7	**92,640,614**	54,441,929
Total Non-current Assets		**56,577,530,430**	59,372,000,819
TOTAL ASSETS		**P 58,490,316,821**	P 60,865,187,563
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts and other payables	8	**P 493,988,323**	P 172,191,343
Deposits and other liabilities	9	**266,074,302**	263,008,802
Total Current Liabilities		**760,062,625**	435,200,145
NON-CURRENT LIABILITIES			
Interest-bearing loan	10	**7,201,241,354**	7,195,789,259
Deposits and other liabilities	9	**1,010,783,749**	1,072,876,081
Total Non-current liabilities		**8,212,025,103**	8,268,665,340
Total Liabilities		**8,972,087,728**	8,703,865,485
EQUITY			
Capital stock	16	**2,532,121,381**	2,532,121,381
Additional paid-in capital	16	**47,907,466,035**	47,907,466,035
Retained earnings (deficit)		**(921,358,323)**	1,721,734,662
Total Equity		**49,518,229,093**	52,161,322,078
TOTAL LIABILITIES AND EQUITY		**P 58,490,316,821**	P 60,865,187,563

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
AND SIX MONTHS ENDED DECEMBER 31, 2021 AND JUNE 30, 2021*
(Amounts in Philippine Pesos)

	Notes	**December 31, 2022 (One Year)**	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
REVENUES				
Rental income	11	**P 2,917,785,685**	P 1,197,497,661	P 195,044,232
Income from dues - net	2	**730,981,573**	263,215,987	32,151,176
		3,648,767,258	1,460,713,648	227,195,408
COST OF SERVICES	12	**676,211,193**	222,987,792	20,469,415
GROSS PROFIT		**2,972,556,065**	1,237,725,856	206,725,993
OTHER OPERATING EXPENSES	13	**37,400,283**	9,630,912	18,761,149
OPERATING PROFIT		**2,935,155,782**	1,228,094,944	187,964,844
OTHER INCOME (CHARGES)				
Fair value gains (losses) on investment properties	6	**(2,822,000,000)**	702,000,000	240,592,380
Interest expense	9 , 10	**(309,090,834)**	(23,833,140)	(2,403,391)
Interest income	4, 7	**23,042,323**	8,374,430	637,045
Miscellaneous income		**688,017**	-	-
		(3,107,360,494)	686,541,290	238,826,034
PROFIT (LOSS) BEFORE TAX		**(172,204,712)**	1,914,636,234	426,790,878
TAX INCOME (EXPENSE)	14	**(4,348,835)**	99,579,952	(101,284,451)
NET PROFIT (LOSS)		**(176,553,547)**	2,014,216,186	325,506,427
OTHER COMPREHENSIVE INCOME		**-**	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P 176,553,547)**	P 2,014,216,186	P 325,506,427
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	17	**(P 0.07)**	P 0.80	P 0.13

* The Company was incorporated on October 2, 2020 and has started its commercial operations on June 2, 2021. See Note 1 for the description of the change in accounting period.

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
AND SIX MONTHS ENDED DECEMBER 31, 2021 AND JUNE 30, 2021*
(Amounts in Philippine Pesos)

	Notes	**December 31, 2022 (One Year)**	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
CAPITAL STOCK				
Balance at beginning of period		**P 2,532,121,381**	P 2,532,121,381	P 10,000,000
Issuance of shares during the period	16	**-**	-	2,522,121,381
Balance at end of period		**2,532,121,381**	2,532,121,381	2,532,121,381
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of period		**47,907,466,035**	47,907,466,035	-
Addition during the period	16	**-**	-	47,907,466,035
Balance at end of period		**47,907,466,035**	47,907,466,035	47,907,466,035
RETAINED EARNINGS (DEFICIT)				
Balance at beginning of period		**1,721,734,662**	315,227,607	(10,278,820)
Net profit (loss) during the period		**(176,553,547)**	2,014,216,186	325,506,427
Dividends declared during the period	16	**(2,466,539,438)**	(607,709,131)	-
Balance at end of period		**(921,358,323)**	1,721,734,662	315,227,607
TOTAL EQUITY		**P 49,518,229,093**	P 52,161,322,078	P 50,754,815,023

* The Company was incorporated on October 2, 2020 and has started its commercial operations on June 2, 2021. See Note 1 for the description of the change in accounting period.

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
AND SIX MONTHS ENDED DECEMBER 31, 2021 AND JUNE 30, 2021*
(Amounts in Philippine Pesos)

	Notes	December 31, 2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(P 172,204,712)	P 1,914,636,234	P 426,790,878
Adjustments for:				
Fair value losses (gains) on investment properties	6	2,822,000,000	(702,000,000)	(240,592,380)
Interest expense	9, 10	309,090,834	23,833,140	2,403,391
Interest income	4, 7	(23,042,323)	(8,374,430)	(637,045)
Operating profit before working capital changes		2,935,843,799	1,228,094,944	187,964,844
Increase in trade and other receivables		(165,624,932)	(122,916,877)	(21,639,741)
Increase in other current assets		(197,544,978)	(70,068,131)	(1,184,980)
Decrease (increase) in other non-current assets		(37,179,610)	858,355	(54,864,716)
Decrease in due to parent company		-	-	(201,820)
Increase in accounts and other payables		321,796,980	100,316,824	63,793,059
Increase (decrease) in deposits and other liabilities		(95,304,501)	410,400,646	907,407,184
Cash generated from operations		2,761,986,758	1,546,685,761	1,081,273,830
Interest received		22,983,038	7,876,217	578,632
Income tax paid		(4,348,835)	(1,588,771)	(115,727)
Net Cash From Operating Activities		2,780,620,961	1,552,973,207	1,081,736,735
CASH FLOW FROM AN INVESTING ACTIVITY				
Acquisition of investment properties	6	-	(9,116,000,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	16	(2,466,539,438)	(607,709,131)	-
Interest paid	10	(267,361,070)	-	-
Proceeds from availment of loan, net of transaction costs	10	-	7,195,625,000	-
Proceeds from issuance of shares, net of shares issuance costs	16	-	-	1,227,179,796
Net Cash From (Used in) Financing Activities		(2,733,900,508)	6,587,915,869	1,227,179,796
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		46,720,453	(975,110,924)	2,308,916,531
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,333,805,607	2,308,916,531	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P 1,380,526,060	P 1,333,805,607	P 2,308,916,531

* The Company was incorporated on October 2, 2020 and has started its commercial operations on June 2, 2021. See Note 1 for the description of the change in accounting period.

Supplemental Information on Non-cash Investing and Financing Activity —

In June 2021, the Company and Megaworld Corporation (the Parent Company) entered into a property-for-share swap transaction. Accordingly, the Parent Company transferred certain real properties for lease to the Company amounting to P49,202.4 million. In exchange for the properties transferred, the Company issued 1,282,120,381 common shares with a par value of P1 per share to the Parent Company which resulted in recognition of Capital Stock and Additional Paid-in Capital amounting to P1,282.1 million and P47,920.3 million, respectively (see Note 16).

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021, AND JUNE 30, 2021
(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 62.09% 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.

On April 7, 2021, majority of the members of the BOD and stockholders of the Company approved the amendments to the Articles of Incorporation and By-Laws of the Company, including the change in the fiscal year of the Company to begin on the first day of July and end on the last day of June of each year. The SEC and the Bureau of Internal Revenue (BIR) approved the amendments to the Company's Articles of Incorporation and By-Lawson May 19, 2021 and May 20, 2021, respectively.

On September 30, 2021, the BOD approved the change in the Company's accounting period to begin on the first day of January and end on the last day of December of each year. The Company applied with the SEC for an amendment of its By-laws in October 2021. The SEC and the BIR approved the change on November 4, 2021 and November 25, 2021, respectively.

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, 2022 (including the comparative financial statements as of and for the six months ended December 31, 2021 and June 30, 2021) were authorized for issue by the Company's BOD on February 27, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to the periods 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). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS 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 Amended PFRS

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

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

PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

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

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

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

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

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

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

(i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework*

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are not relevant to the Company:

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

- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

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

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

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

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

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

2.3 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(i) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, the relevant financial asset classification applicable to the Company is financial assets at amortized cost.

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

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

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

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss.

The Company's financial assets at amortized cost are presented as Cash and Cash Equivalents, Trade and Other Receivables and Security deposit (presented under Other Non-current Assets) in the statement of financial position. Cash and cash equivalents include demand deposits and short-term placements with original maturities of three months or less from the date of acquisition. Demand deposits maintained in a local bank are unrestricted and readily available for use in the Company's operations. Short-term placements include short-term, highly-liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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

(ii) Impairment of Financial Assets

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

The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and security deposit. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Company uses its historical experience, external indicators, forward-looking information, and other qualitative factors (including possible offsetting) to calculate the ECL using a provision matrix. The Company also assesses impairment of trade and other receivables and security deposit on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due.

For cash and cash equivalents, the Company applies low credit risk simplification and measures the ECL on the financial assets based on a 12-month ECL basis unless there has been a significant increase in credit risk since origination, in which case, the loss allowance will be based on lifetime ECL.

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

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

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

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

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through an allowance for impairment account. Subsequent recoveries of amounts previously written off are credited against the same line item.

(iii) Derecognition of Financial Assets

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

(b) Financial Liabilities

Financial liabilities, which pertain to Security deposits (presented under Deposits and Other Liabilities), Accounts and Other Payables (except tax-related liabilities), and Interest-bearing Loan are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

All interest-related charges, except any capitalized borrowing costs, are recognized as expense in profit or loss under Interest Expense account in the statement of comprehensive income.

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

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

(c) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.4 Other Assets

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

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

2.5 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 on investment properties account under the Other Income (Charges) section in the statement of comprehensive income.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal.

2.6 Provisions and Contingencies

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

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

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, probable 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.

2.7 Revenue and Expense Recognition

Revenue comprises revenue from leasing activities.

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

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

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

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

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

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

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

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Company uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized.

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 [see Note 2.8(b)].

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.

Finance costs are reported on an accrual basis, except any capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.11).

2.8 Leases

The Company accounts for leases as follows:

(a) *Company as a Lessee*

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

Leases wherein the Company substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Company's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Company's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

2.9 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.

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

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

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

2.10 Employee Benefits

The Company provides post-employment benefits to employees through defined contribution plans and other employee benefits which are recognized as follows:

(a) Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(b) Compensated Absences

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

2.11 Borrowing Costs

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

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

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.12 Income Taxes

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

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

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

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

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

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

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

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

2.13 Related Party Transactions and Relationships

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

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

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

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*, transactions amounting to 10% or more of the total assets based on its latest financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Company's board of directors, with at least a majority of the independent directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of ten percent of the Company's total assets based on the latest financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

2.14 Equity

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

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

Retained earnings (deficit) represents all current and prior period results of pre-operations and operations as reported in the statement of comprehensive income.

2.15 Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net profit (loss) by the weighted average number of shares issued and outstanding, adjusted retrospectively for any share dividend declared, share split and reverse share split during the current period, if any.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive common shares. Currently, the Company does not have potential dilutive shares outstanding; hence, the diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

2.16 Events After the End of the Reporting Period

Any event after the end of the reporting period that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Events after the end of the reporting period that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS 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 has just started its operations during the period; hence, no historical default is available for the Company. 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

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.6 and disclosures on relevant provisions and contingencies are presented in Note 18.

3.2 Key Sources of Estimation Uncertainty

Presented below 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) 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 (NOLCO). As a result, no deferred tax asset was recognized as of December 31, 2022 and 2021.

The carrying amount of the unrecognized deferred tax asset as at December 31, 2022 and 2021 is disclosed in 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. Also, the Company's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.9. 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:

	2022	2021
Cash on hand and in bank	**P 724,400,562**	P 832,127,010
Short-term placements	**656,125,498**	501,678,597
	P 1,380,526,060	P 1,333,805,607

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

Short-term placements are made for varying periods from 30 to 44 days and earn effective interest of 0.5% to 1.125%.

Interest earned from cash in bank and short-term placements for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021 amounted to P22.0 million, P8.0 million and P0.6 million, respectively. Interest earned is presented as 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:

	2022	2021
Current		
Trade receivables:		
Accrued	P 148,321,339	P 14,112,404
Billed	104,289,531	70,763,275
Others	11,340,345	3,243,107
	263,951,215	88,118,786
Non-current –		
Trade receivables –		
Accrued	45,889,816	56,558,890
	P 309,841,031	P 144,677,676

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

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.

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)].

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.

	2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
Balance at beginning of period	P 59,261,000,000	P 49,443,000,000	P -
Additions	-	9,116,000,000	49,202,407,620
Fair value gains (losses)	(2,822,000,000)	702,000,000	240,592,380
Balance at end of period	P 56,349,000,000	P 59,261,000,000	P 44,443,000,000

As of December 31, 2022, the Company has a total of 14 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

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

For the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021, rental income from investment properties amounted to P2,917.8 million, P1,197.5 million and P195.0 million, respectively (see Note 11).

The direct operating costs incurred relating to investment properties, which pertains to repairs and maintenance and real property taxes, amounted to P104.1 million, P10.7 million and P4.4 million for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021, respectively. All investment properties generate rental income.

The fair values of the investment properties as of December 31, 2022 and 2021 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 loss for the year ended December 31, 2022 and fair value gain for the six months ended December 31, 2021 and June 30, 2021 are presented as Fair Value Gains (Losses) on Investment Properties in the statements of comprehensive income.

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.

The details of the assets transferred to the Company 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

The transaction, once completed, will result to an increase of control and ownership of MC over the Company from 62.09% to 65.67%. As of the date of approval of the condensed interim financial statements, the Company is yet to obtain the SEC's confirmation of the valuation of the properties transferred in exchange for the shares.

7. OTHER ASSETS

The Company's other assets consist of the following:

	2022	2021
Current:		
Prepaid expenses	**P 156,894,776**	P 24,595,487
Creditable withholding taxes	**78,876,441**	35,522,343
Deferred input value added tax (VAT)	**32,537,899**	11,144,521
	268,309,116	71,262,351
Non-current:		
Deferred charges	**56,033,405**	41,737,454
Security deposit	**19,488,462**	12,704,475
Other non-current asset	**17,118,747**	-
	92,640,614	54,441,929
	P 360,949,730	P 125,704,280

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 for the year ended December 31, 2022 and six months ended December 31, 2021 (nil for the six months ended June 30, 2021) amounted to P1.0 million and P0.4 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). Other non-current asset consists of office machinery-net and advance payment to contractors for aircon related repairs and enhancement.

8. ACCOUNTS AND OTHER PAYABLES

The details of this account are as follows:

	Notes	2022	2021
Accounts payable	15.3	P 411,064,691	P 84,743,687
Accrued expenses	15.3	53,027,572	54,791,622
Output VAT payable		9,406,429	5,958,108
Interest payable	10	8,055,636	7,995,219
Withholding taxes payable		6,076,519	7,083,822
Deferred output VAT		4,524,528	11,618,604
Others		1,832,948	281
		P 493,988,323	P 172,191,343

9. DEPOSITS AND OTHER LIABILITIES

The details of this account are as follows:

	Notes	2022	2021
Current:			
Advance rent	15.1, 18.1	P 152,740,389	P 139,154,738
Security deposits	15.1, 18.1	107,491,807	87,085,752
Deferred credits		5,841,656	36,768,312
		266,074,302	263,008,802
Non-current:			
Security deposits	15.1, 18.1	605,347,267	588,129,870
Advance rent	15.1, 18.1	327,114,762	411,374,176
Deferred credits		78,321,720	73,372,035
		1,010,783,749	1,072,876,081
		P 1,276,858,051	P 1,335,884,883

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.

A reconciliation of security deposits as of December 31, 2022 and 2021 is shown below:

		2022 (One Year)		December 31, 2021 (Six Months)		June 30, 2021 (Six Months)
Balance at beginning of period	**P**	**675,215,622**	P	507,472,851	P	-
Additions		**1,345,783**		152,069,109		505,069,460
Accretion of interest		**36,277,669**		15,673,662		2,403,391
Balance at end of period	**P**	**712,839,074**	P	675,215,622	P	507,472,851

Accretion of interest is presented as part of Interest expense under Other Income (Charges) section of the statements of comprehensive income.

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.

		2022 (One Year)		December 31, 2021 (Six Months)		June 30, 2021 (Six Months)
Balance at beginning of period	**P**	**110,140,347**	P	95,358,222	P	-
Additions		**12,385,578**		31,323,170		97,977,031
Amortization	**(**	**38,362,549)**	(	16,541,045)	(	2,618,809)
Balance at end of period	**P**	**84,163,376**	P	110,140,347	P	95,358,222

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 installment 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 on December 2024.

The Company is required to maintain certain financial ratios to comply with its debt covenants with a certain local bank. As of December 31, 2022 and 2021, the Company is in compliance with such financial covenant obligations.

Related interest incurred amounted to P267.4 million and P8.0 million are presented as part of Interest Expense in the statements of comprehensive income for the year ended December 31, 2022 and six months ended December 31, 2021. 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.

	2022 (One Year)	2021 (Six Months)
Balance at beginning of period	**P 54,210,741**	P -
Additions	**-**	54,375,000
Amortization	**(5,452,002)**	(164,259)
Balance at end of period	**P 48,758,739**	P 54,210,741

Amortization of loan originating costs for the reporting periods are presented as part of Interest Expense in the statements of comprehensive income.

11. RENTAL INCOME

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

	2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
Office	**P 2,685,516,839**	P 1,106,101,576	P 180,906,954
Commercial	**131,765,294**	45,839,766	6,715,759
Hotel	**56,400,000**	28,200,000	4,700,000
Advertising	**4,447,035**	185,294	-
Parking	**1,293,968**	629,980	102,710
Amortization of deferred credits	**38,362,549**	16,541,045	2,618,809
	P 2,917,785,685	P 1,197,497,661	P 195,044,232

Rental income from office, retail and advertising includes income from straight-line method of recognizing rental income amounting to P123.5 million, P58.3 million and P12.4 million, for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021, respectively.

Rental income also includes variable lease payments amounting to P21.7 million, P8.2 million and P1.4 million for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021, respectively, which do not depend on an index or a rate.

12. COST OF SERVICES

The following are the details of direct costs and expenses from rendering of services for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021:

	Notes	2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
Management fees	15.3	**P 200,682,199**	P 63,807,804	P -
Outside services		**178,224,665**	79,955,625	9,308,668
Utilities		**134,251,052**	54,410,175	4,370,148
Repairs and maintenance		**82,949,835**	2,469,379	2,966,060
Supplies and materials		**28,689,642**	2,581,208	-
Taxes and licenses		**24,567,523**	11,434,498	3,485,621
Insurance		**11,742,529**	4,282,156	-
Miscellaneous	8	**15,103,748**	4,046,947	338,918
		P 676,211,193	P 222,987,792	P 20,469,415

13. OTHER OPERATING EXPENSES

Presented below are the details of other operating expenses.

	Note	2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
Taxes and licenses		**P 18,555,936**	P 2,967,914	P 17,017,937
Professional fees		**5,942,958**	1,069,812	444,500
Outside services	15.6	**5,469,780**	3,376,257	1,100,342
Advertising and promotion		**3,829,094**	920,130	-
Salaries and employee benefits		**3,111,376**	197,218	37,500
Office supplies		**47,647**	692,044	3,630
Depreciation		**25,661**	-	-
Transportation and travel		**18,421**	-	-
Miscellaneous		**399,410**	407,537	157,240
		P 37,400,283	P 9,630,912	P 18,761,149

14. INCOME TAXES

The components of tax expense (income) as reported in the statements of comprehensive income for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021 are as follows:

	2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
Current tax expense - Final tax at 20%	**P 4,348,835**	P 1,588,771	P 115,727
Deferred tax expense (income) Related to origination and reversal of temporary differences	**-**	(101,168,723)	101,168,724
	P 4,348,835	(P 99,579,952)	P 101,284,451

A reconciliation of tax on pretax profit or loss computed at the applicable statutory rates to tax expense or income reported in the statement of comprehensive income for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021 are presented below.

	2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
Tax on pre-tax profit (loss) at 25%	**(P 43,051,178)**	P 478,659,059	P 106,697,720
Adjustment for income subjected to lower tax rates	**(1,156,977)**	(410,548)	(28,931)
Unrecognized deferred taxes	**665,942,389**	-	-
Tax effects of:			
Deductible dividend distribution	**(618,470,648)**	-	-
Non-deductible expenses	**10,930,654**	4,573,933	634,669
Non-taxable income	**(9,845,406)**	(194,301,013)	(669,305)
Deductible expenses	**-**	(280,417,757)	(3,203,301)
Excess of optional standard deductions (OSD) over itemized deductions	**-**	(6,514,902)	-
Reversal of deferred tax liabilities	**-**	(101,168,724)	-
Application of unrecognized NOLCO	**-**	-	(2,144,401)
	P 4,348,835	(P 99,579,952)	P 101,284,451

In 2022 and 2021, the Company is subject to regular corporate income tax (RCIT) of 25% of net taxable income. However, the Company did not recognize RCIT in both years since the Company reported zero net taxable income for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021.

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

The Company opted to claim itemized deduction for the year ended December 31, 2022 while the Company claimed OSD in computing for its income tax due for the six months ended December 31, 2021 and June 30, 2021. In addition, the Company's dividend distribution can be claimed as a special deduction in computing for taxable income both under OSD and itemized deductions.

In 2020, the Company incurred NOLCO amounting to P10.3 million, of which P8.6 million was claimed as a deduction from the Company's taxable income for the period ended June 30, 2021. The remaining NOLCO incurred in 2020, which can be claimed as a deduction from the future taxable income until 2025 in accordance with R.A. No. 11494, *Bayanihan to Recover as One Act*, amounted to P1.7 million as at December 31, 2021. Deferred tax asset on NOLCO amounting to P0.4 million as at December 31, 2021 was not recognized [see Note 3.2(c)].

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The CREATE Act aims to lower certain corporate taxes and rationalize tax incentives given to certain taxpayers. The CREATE Act has no impact on the Company's financial statements.

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 and in the succeeding page.

Related Party Category	Notes	Amounts of Transactions 2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)	Outstanding Receivable (Payable) 2022	2021
Parent Company:						
Purchase of properties	6	**P -**	P9,116,000,000	P -	**P -**	P -
Rendering of services	15.1	**190,288,374**	73,776,308	12,296,051	**30,071,019**	10,897,960
Advance rent	15.1	**(3,713,545)**	(13,527,808)	13,527,808	**(3,713,545)**	-
Security deposits received	15.1	**(8,979,924)**	(18,117,600)	-	**(27,097,524)**	(18,117,600)
Security deposits paid	15.2	**22,782,651**	375,155	12,327,320	**35,487,127**	12,704,475
Property-for-share swap	15.4	**-**	-	49,202,440,620	**-**	-
Accommodation of expenses	15.5	**-**	-	(201,820)	**-**	-
Related parties under common Ownership:						
Advance rent	15.1	**(96,529)**	(96,529)	8,713,747	**(8,713,745)**	(8,617,218)
Security deposits received	15.1	**(2,258,173)**	(10,674,337)	12,195,962	**(25,128,472)**	(22,870,299)
Rendering of services	15.1	**127,753,385**	61,122,501	9,938,898	**54,249,565**	21,192,835
Management services	15.3	**200,682,199**	63,807,804	-	**(146,452,966)**	(53,860,004)
Key management personnel –						
Compensation	15.6	**5,469,780**	2,734,890	-	**-**	-

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 for the year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021 (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) impairment disclosure. Advanced rentals and security deposits relating to this transaction are presented under the 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

In 2021, the Company entered into a land lease agreement 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 was presented as Security deposit under Other Non-current Assets in the statements of financial position (see Note 7). This deposit will be refunded at the end of the lease term at its face value amounting to P77.0 million.

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 P200.7 million management fees for the year ended December 31, 2022 and P63.8 million for the six months ended December 31, 2021 (nil for the six months ended June 30, 2021), which is presented as part of Cost of Services in the statement of comprehensive income for the year ended December 31, 2022 and six month period ended December 31, 2021. The outstanding balance of P146.5 million as of December 31, 2022 is presented as part of Accounts payable under Accounts and Other Payables account in the statement of financial position as of December 31, 2022 (see Note 8).

15.4 Property-for-share swap

In May 2021, ten properties were transferred to the Company in accordance with the Property-for-Share Swap transaction (the Assigned Properties) entered into by the Company and MC as approved by its BOD and stockholders on April 7, 2021. On June 1, 2021, SEC has certified the approval of the valuation of the Assigned Properties amounting to P49,202.4 million. Consequently, on June 2, 2021, the Company issued 1,282,120,381 common shares to MC, and the Deed of Assignment of Leases was consummated.

15.5 Accommodation of Expenses

In 2020, portion of the SEC registration fees amounting to P0.2 million was paid by MC on behalf of the Company. This outstanding balance arising from this transaction was unsecured, noninterest-bearing and was payable in cash on demand or through offsetting arrangement. The amount was paid in June 2021.

15.6 Key Management Personnel Compensation

Key management personnel compensation pertains to payment for outsourced management services included within Outside services under Other Operating Expenses (see Note 13).

16. EQUITY

16.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	December 31, 2022	December 31, 2021	June 30, 2021	**December 31, 2022 (One Year)**	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
Common shares						
Authorized						
Balance at beginning of the period	**5,000,000,000**	5,000,000,000	50,000,000	**P 5,000,000,000**	P 5,000,000,000	P 5,000,000,000
Change in par value	**-**	-	4,950,000,000	**-**	-	-
Balance at end of the period	**5,000,000,000**	5,000,000,000	5,000,000,000	**P 5,000,000,000**	P 5,000,000,000	P 5,000,000,000
Issued and outstanding						
Balance at beginning of the period	**2,532,121,381**	2,532,121,381	100,000	**P 2,532,121,381**	P 2,532,121,381	P 10,000,000
Issuance	**-**	-	1,294,521,381	**-**	-	2,522,121,381
Change in par value	**-**	-	1,237,500,000	**-**	-	-
Balance at end of the period	**2,532,121,381**	2,532,121,381	2,532,121,381	**P 2,532,121,381**	P 2,532,121,381	P 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 has 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 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. As of the date, the Company is yet to obtain the SEC's confirmation of the valuation of the properties transferred in exchange for the shares.

As of December 29, 2022, the last trading date for 2022, there are 23,841 shareholders of at least one board lot of the listed shares, which closed at P14.48 per share as of that date.

16.2 Dividends

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

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	2021
Declaration date/approved by BOD	January 6, 2023	November 11, 2022	August 5, 2022	April 22, 2022	March 4, 2022	Oct. 25, 2021
Date of record	January 24, 2023	November 25, 2022	August 19, 2022	May 10, 2022	March 18, 2022	Nov. 9, 2021
Date of payment	February 15, 2023	December 15, 2022	Sept. 9, 2022	May 31, 2022	March 31, 2022	Nov. 15, 2021
Amounts declared to common	P 614,799,071	P 618,850,466	P 624,927,557	P 615,305,496	P 607,455,919	P 607,709,131
Per share value	P 0.2428	P 0.2444	P 0.2468	P 0.2430	P 0.2399	P 0.2400

16.3 Distributable Income

The computation of the distributable income of the Company for the year ended December 31, 2022 is shown below.

Net loss	(P	176,553,547)
Fair value adjustment of investment property resulting to loss		2,822,000,000
Unrealized gains or adjustments to income as a result of certain transactions accounted for under PFRS	(	121,191,720)
Adjustments due to any prescribed accounting standard which result to a loss		1,939,137
Distributable income	**P**	**2,526,193,870**

17. EARNINGS (LOSS) PER SHARE

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

	2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
Net profit (loss) for the period	**(P 176,553,547)**	P 2,014,216,186	P 325,506,427
Divided by weighted number of outstanding common shares	**2,532,121,381**	2,532,121,381	2,532,121,381
Basic and diluted earnings (loss) per share	**(P 0.07)**	P 0.80	P 0.13

The Company has no potential dilutive common shares as of year ended December 31, 2022 and six months ended December 31, 2021 and June 30, 2021.

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, 2022 and 2021 are shown below.

	2022	2021
Within one year	**P 2,981,191,290**	P 2,911,615,030
After one year but not more than two years	**2,497,739,835**	2,876,435,530
After two years but not more than three years	**1,875,531,163**	2,090,182,820
After three years but not more than four years	**1,111,478,803**	1,424,419,672
After four years but not more than five years	**657,254,881**	749,643,195
More than five years	**2,778,752,188**	2,946,449,745
	P 11,901,948,160	P 12,998,745,992

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 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 will commence on July 1, 2023. The lease agreement do not contain any fixed lease payments. In addition, the lease agreement involves payment for security deposit (see Note 7).

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, 2022 and 2021, 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 incorporate 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 statement of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized below.

	Notes	**2022**	2021
Cash and cash equivalents	4	**P 1,380,526,060**	P 1,333,805,607
Trade and other receivables	5	**309,841,031**	144,677,676
Security deposit	7	**19,488,462**	12,704,475
		P 1,709,855,553	P 1,491,187,758

(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.

The Company has just started its operation during the current period; hence, no historical information is available for the Company. In addition, 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.

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, 2022 and 2021 is presented below.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure
As of December 31, 2022	**P 309,841,031**	**P 1,192,694,675**	**P -**
As of December 31, 2021	P 144,677,676	P 1,225,744,536	P -

(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, 2022 and 2021, the Company's financial liabilities have contractual maturities which are presented below.

	Within 1 Year	1 to 5 Years	More than 5 Years
December 31, 2022			
Interest-bearing loan	P 260,116,227	P 1,087,645,108	P 8,234,613,600
Security deposits	188,900,183	535,675,064	73,381,164
Accounts payable	411,064,691	-	-
Accrued expenses	53,027,572	-	-
	P 913,108,674	**P 1,623,320,172**	**P 8,307,994,764**
December 31, 2021			
Interest-bearing loan	P 202,226,142	P 1,062,378,362	P 8,558,008,771
Security deposits	80,283,620	624,904,157	81,250,993
Accounts payable	84,743,687	-	-
Accrued expenses	54,791,622	-	-
	P 422,045,071	P 1,687,282,519	P 8,639,259,764

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.

		2022		2021	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Financial assets at amortized cost:					
Cash and cash equivalents	4	**P 1,380,526,060**	**P 1,380,526,060**	P 1,333,805,607	P 1,333,805,607
Trade and other receivables	5	**309,841,031**	**309,841,031**	144,677,676	144,677,676
Security deposit	7	**19,488,462**	**19,488,462**	12,704,475	14,998,475
		P 1,709,855,553	**P 1,709,855,553**	P 1,491,187,758	P 1,493,481,758
Financial liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loan	10	**P 7,201,241,354**	**P 7,201,241,354**	P 7,195,789,259	P 7,195,789,259
Security deposits	9	**712,839,074**	**783,211,603**	675,215,622	755,115,600
Accounts payable	8	**411,064,691**	**411,064,691**	84,743,687	84,743,687
Accrued expenses	8	**53,027,572**	**53,027,572**	54,791,622	54,791,622
Interest payable	8	**8,055,636**	**8,055,636**	7,995,219	7,995,219
		P 8,354,127,228	**P 8,098,435,386**	P 8,018,535,409	P 8,098,435,387

See Note 2.3 for the description of the accounting policies for each category of financial instruments. 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 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, 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 include cash and cash equivalents, which are categorized as Level 1, and trade and other receivables and security deposit, which are categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain to security deposits, accrued expenses and due to parent company, which 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, 2022 and 2021, the Company's investment properties amounting to P56.4 billion and P59.3 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 Santos Knight Frank, Inc., an independent appraiser 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 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.

	2022	2021
Total liabilities	**P 8,972,087,278**	P 8,703,865,485
Total equity	**49,518,229,093**	52,161,322,078

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.

P&A Grant Thornton

YEARS 35
Shaping a Vibrant Tomorrow
#BoldPerspectives #DivergentThinking #ForgingPaths

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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

T +63 2 8988 2288

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of MREIT, Inc. (the Company) as at and for the year ended December 31, 2022 and have issued our report thereon dated February 27, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Company's management. The supplementary information has been subjected to the auditing procedures applied in the audits 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.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 9566641, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 27, 2023

MREIT, INC.
List of Supplementary Information
December 31, 2022

MREIT, Inc.
Schedule A - Financial Assets
December 31, 2022

The Company does not have financial assets classified under fair value through other comprehensive income, fair value through profit or loss and held to maturity as of December 31, 2022.

MREIT, Inc.
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022

The Company does not have amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties) above P1 million or 1% of total assets as of December 31, 2022.

MREIT, Inc.

Schedule C - Amounts Receivable/ Payable from/ to Related Parties which are Eliminated During the Consolidation of Financial Statements

December 31, 2022

			Deductions				
Name and Designation of Debtor	***Balance at Beginning of Period***	***Additions***	***Amounts Collected***	***Amounts Written Off***	***Current***	***Not Current***	***Balance at End of Period***
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

MREIT, Inc.
Schedule D - Long-Term Debt
December 31, 2022

Title of Issue and Type of Obligation	*Amount Authorized by Indenture*	*Amount shown under Caption "Interest-bearing loan" in related Balance Sheet*	*Amount shown under Caption "Interest-bearing loan" in related Balance Sheet*
Long -term loan (Domestic)	P 7,250,000,000	P -	P 7,201,241,354

MREIT, Inc.
Schedule E - Indebtedness to Related Parties (Long-term Loans from Related Companies)
December 31, 2022

Name of Related Party	***Balance at Beginning of Period***	***Balance at End of Period***
N/A	N/A	N/A

MREIT, Inc.
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2022

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	***Title of Issue of Each Class of Securities Guaranteed***	***Total Amount Guaranteed and Outstanding***	***Amount Owned by Person for which Statement is Filed***	***Nature of Guarantee***
N/A	N/A	N/A	N/A	N/A

MREIT, Inc.
Schedule G - Capital Stock
December 31, 2022

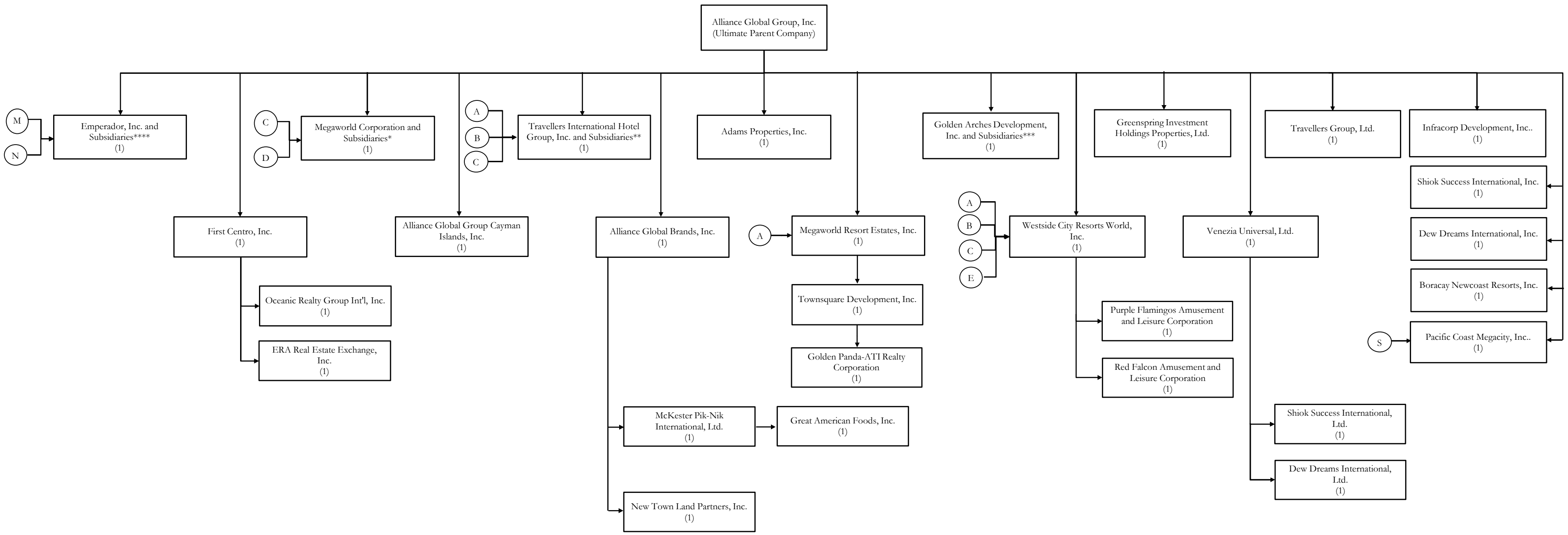
Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under the related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common shares - P1 par value	5,000,000	2,532,121,381	-	1,572,282,881	4,000	959,842,500

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

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2022

Unappropriated Retained Earnings at Beginning of the Period			P	1,721,734,662
Prior Period Outstanding Reconciling Items:				
Fair value adjustments of investment properties	(P	702,000,000)		
Deferred tax expense	(	101,168,724)		
PFRS 16 straight-line adjustment on rental income	(	58,285,853)		
Loan transaction costs	(	54,210,741)		
Rent income on amortization of deferred credits	(	16,541,045)		
Interest expense on amortization of security deposit (liability)		15,673,662		
Rent expense on amortization of deferred charges		858,354		
Interest income on amortization of security deposit (asset)	(	377,155)	(	916,051,502)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Period, as Adjusted				805,683,160
Net Profit Realized during the period				
Net loss per audited financial statements			(	176,553,547)
Non-actual/unrealized income				
Fair value adjustments of investment properties		2,822,000,000		
PFRS 16 straight-line adjustment on rental income	(	123,539,861)		
Amortization of loan transaction costs		5,452,095		
Rent income on amortization of deferred credits	(	38,362,549)		
Interest expense on amortization of security deposit (liability)		36,277,669		
Rent expense on amortization of deferred charges		1,939,137		
Interest income on amortization of security deposit (asset)	(	1,019,075)		2,702,747,417
Dividends declared during the period			(	2,466,539,438)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Period			**P**	**865,337,592**

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and its Related Parties
December 31, 2022

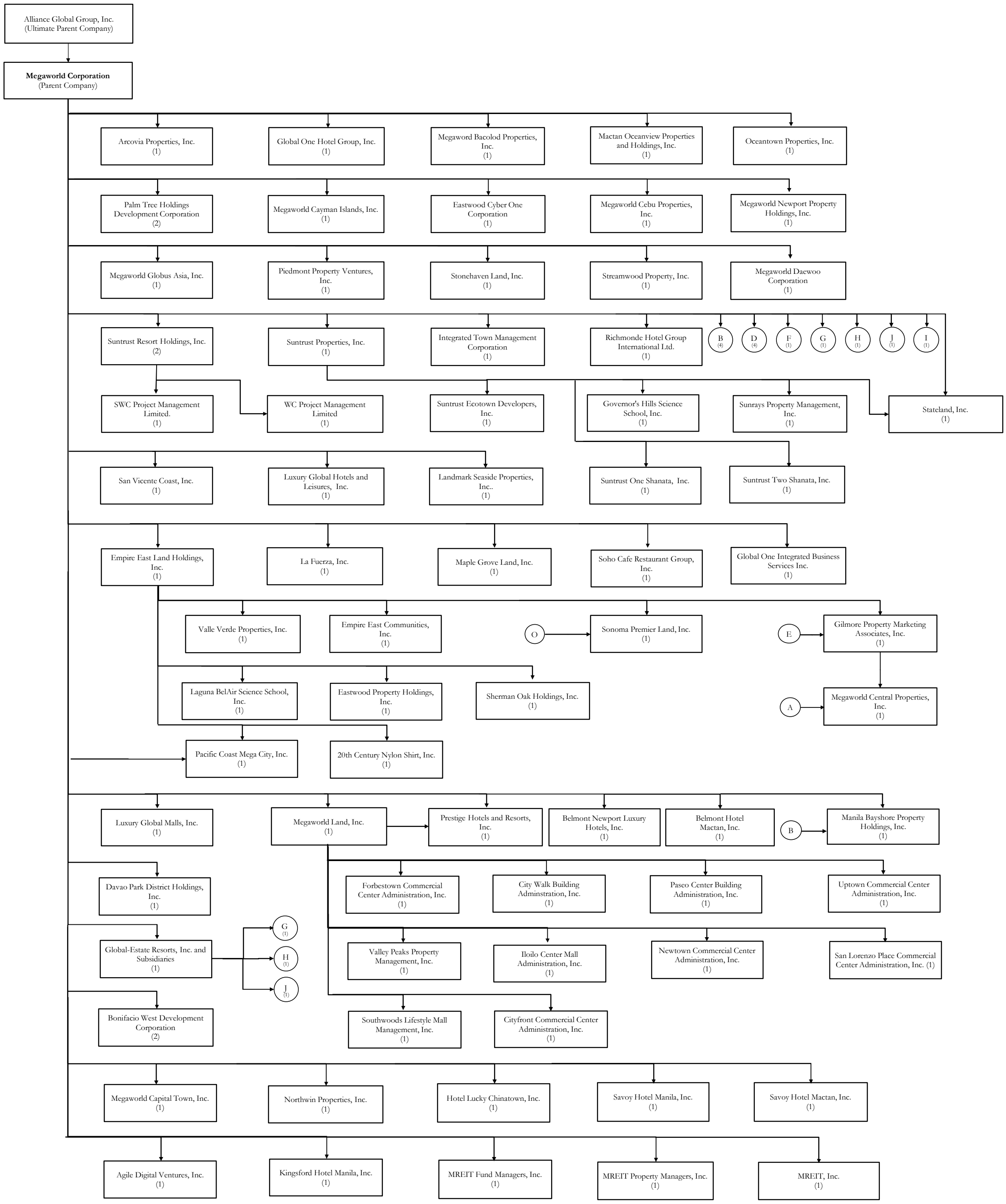


Legend

(1)	Subsidiary	A	Megaworld Corporation	F	Manila Bayshore Property Holdings, Inc.	K	Megaworld Global Estates, Inc.	P	Sonoma Premier Land, Inc.
(2)	Associate	B	Adams Properties, Inc.	G	Westside City Resorts World, Inc.	L	Megaworld Central Properties, Inc.	Q	Gilmore Property Marketing Associates, Inc.
(3)	Jointly Controlled Entity	C	First Centro, Inc.	H	Townsquare Development, Inc.	M	Shiok Success International, Ltd.	R	Emperador Inc.
		D	Newtown Land Partners, Inc.	I	Megaworld Resort Estates, Inc.	N	Dew Dreams International, Ltd.	S	Empire East Land Holdings, Inc.
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes Corporation	O	Southwoods Mall, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

Map Showing the Relationship Between Alliance Global Group, Inc.
and Megaworld Corporation Group
December 31, 2022



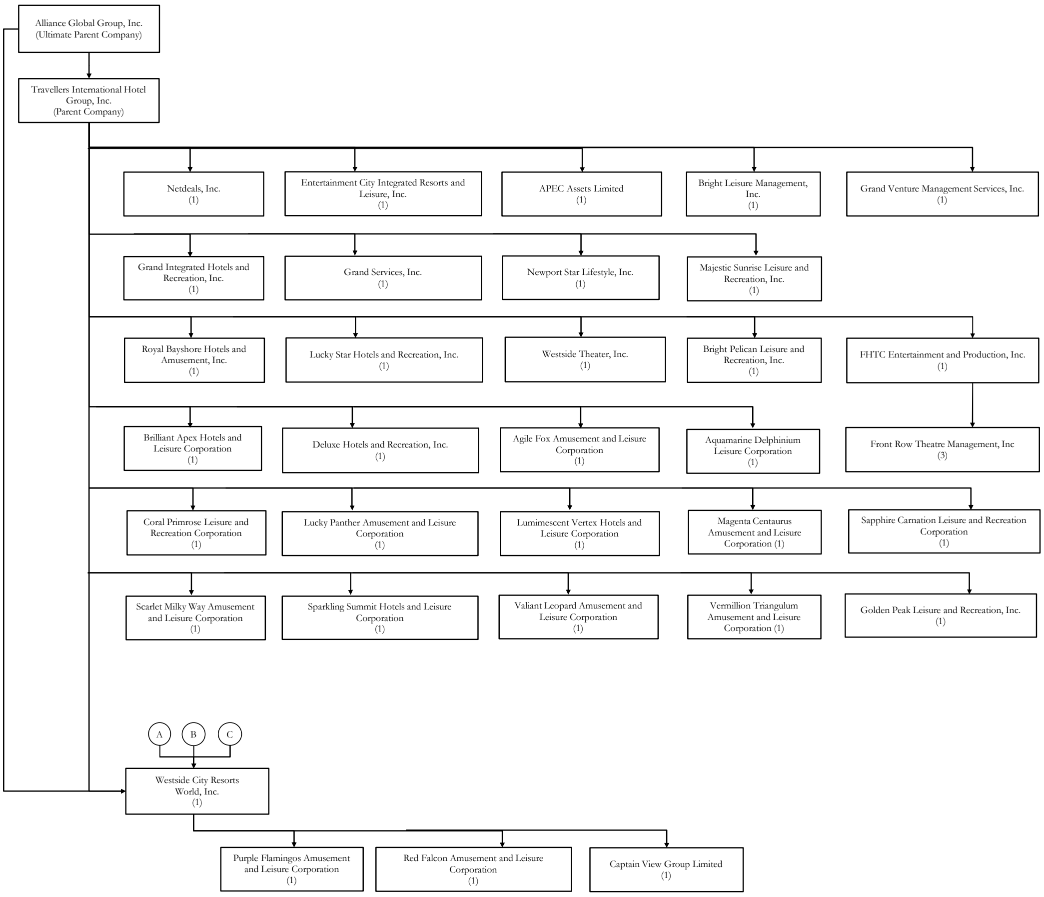
Legend

Relationship with Megaworld Corporation

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity
(4) FVOCI

A	Megaworld Corporation	E	Townsquare Development, Inc.	I	Megaworld Central Properties, Inc.	M	Empire East Land Holdings, Inc.
B	Travellers International Hotel Group,	F	Megaworld Resort Estates, Inc.	J	Southwoods Mall, Inc.	N	Suntrust Resort Holdings, Inc.
C	Manila Bayshore Property Holdings, I	G	Twin Lakes Corporation	K	Sonoma Premier Land, Inc.	O	First Centro, Inc.
D	Westside City Resorts World, Inc.	H	Megaworld Global Estates, Inc.	L	Gilmore Property Marketing Associates, Inc.		

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Travellers Group
December 31, 2022



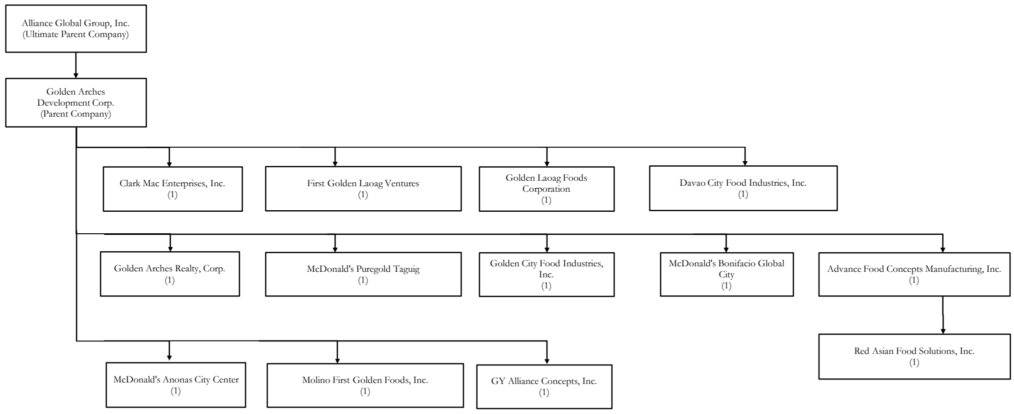
Legend

Relationship with Travellers International Hotel Group, Inc.

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity
(4) FVOCI

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.
S	Empire East Land Holdings, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Golden Arches Development Corporation Group
December 31, 2022

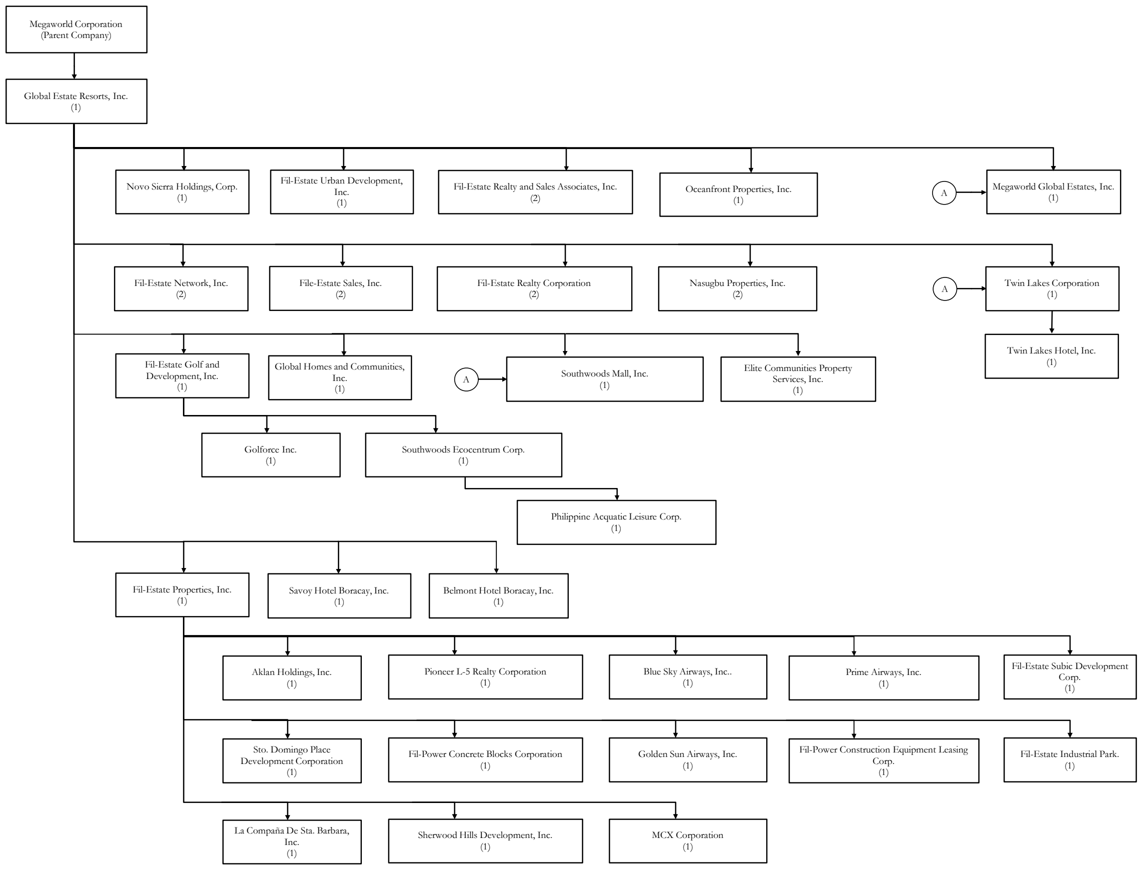


Legend
Relationship with Golden Arches Development Corporation
(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity
(4) FVOCI

A	MegaworldCorporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.
S	Empire East Land Holdings, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
December 31, 2022



Legend

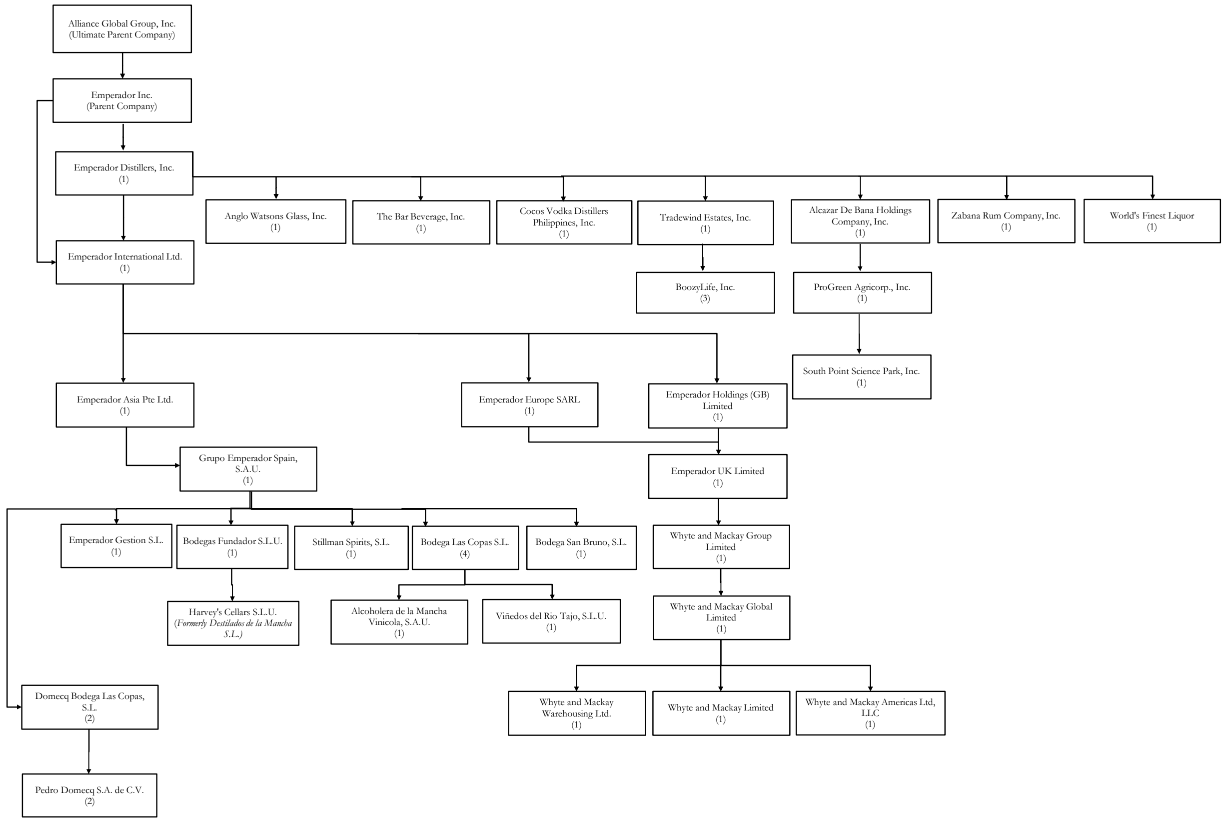
(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity
(4) FVOCI

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	Southwoods Mall, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.
S	Empire East Land Holdings, Inc.	T	Suntrust Home Developers, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

Map Showing the Relationship Between Alliance Global Group, Inc.
and Emperador Group

December 31, 2022



Legend

Relationship with Emperador Inc.

(1) Subsidiary (100%)
(2) Subsidiary (50%)
(3) Subsidiary (51%)
(4) Jointly Controlled Entity

Report of Independent Auditors on Components of Financial Soundness Indicators

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

T +63 2 8988 2288

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of MREIT, Inc. (the Company) as at and for the year ended December 31, 2022 and have issued our report thereon dated February 27, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the year ended December 31, 2022 and six months periods ended December 31, 2021 and June 30, 2021 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 9566641, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 27, 2023

MREIT, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
For the year ended December 31, 2022*

Ratio	Formula	December 31, 2022 (One Year)	December 31, 2021 (Six Months)	June 30, 2021 (Six Months)
Current ratio	Current assets / Current liabilities	2.52	3.43	9.51
Acid test ratio	Quick assets / Current liabilities (Quick assets include cash and current portion of trade receivables - net)	2.16	3.27	9.51
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings and bonds and notes payable)**	0.15	0.14	N/A
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.18	1.17	1.02
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds and notes payable)**	0.02	0.27	N/A
Interest rate coverage ratio	EBIT / Total Interest (Total interest includes interest expense and capitalized interest)	0.44	81.34	178.58
Return on equity	Net profit / Average total stockholders' equity	-0.0035	0.04	0.01
Return on assets	Net profit / Average total assets	-0.0030	0.04	0.01
Net profit margin	Net profit / Total revenues	-0.0484	1.38	1.43

*The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. Subsequently, the Company applied with the SEC in October 2021 for the amendments in the By-laws for a change in its reporting period from fiscal year beginning July 1 and ending June 30 to calendar year beginning January 1 and ending December 31, and such amendment was approved by the SEC and Bureau of Internal Revenue (BIR) in November 2021.
**The Company has no interest bearing loans and borrowings and bonds and notes payable as of June 30, 2021.