

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **30 September 2021**
2. Commission Identification Number: **CS202052294**
3. BIR Tax Identification No: **502-228-971-000**
4. Exact name of Issuer as specified in its charter: **MREIT, Inc.**
5. Province, Country or other jurisdiction of incorporation or organization: **Metro Manila**
6. (SEC Use Only)
Industry Classification Code:
7. Address of issuer's principal office :
18th Floor Alliance Global Tower, 36th Street corner 11th Avenue Uptown Bonifacio, Taguig City 1634
8. Issuer's telephone number, including area code: **(632) 8894-6300/6400**
9. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Stock Outstanding</u>
Common	2,532,121,381
Preferred	0
Total	2,532,121,381.00

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

Yes No

Stock Exchange: **Philippine Stock Exchange**
Securities listed: **Common Shares**

11. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 8 hereof and incorporated herein by reference:

- Exhibit 1 - Condensed Interim Statement of Financial Position as of September 30, 2021
- Exhibit 2 - Condensed Interim Statement of Comprehensive Income for the Three Months ended September 30, 2021
- Exhibit 3 - Condensed Interim Statement of Changes in Equity for the Three Months ended September 30, 2021
- Exhibit 4 – Condensed Interim Statement of Cash Flows for the Three Months ended September 30, 2021
- Exhibit 5 – Selected Explanatory Notes to Condensed Interim Financial Statements as of September 30, 2021

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Please refer to Exhibit 6 hereof.

Item 3. Aging of Accounts Receivables

Please refer to Exhibit 7 hereof.

Item 4. Schedule of Financial Soundness Indicators

Please refer to Exhibit 8 hereof.

PART II – OTHER INFORMATION

The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

SIGNATURE

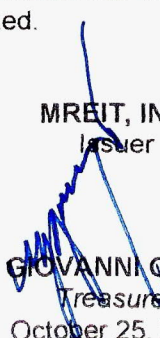
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIGNATURE

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

By:

MREIT, INC.
Issuer


GIOVANNI C. NG
Treasurer
October 25, 2021

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021
(With Comparative Figures as of June 30, 2021)
(Amounts in Philippine Pesos)

EXHIBIT 1

	<u>Notes</u>	<u>September 30, 2021</u> <u>(Unaudited)</u>	<u>June 30, 2021</u> <u>(Audited)</u>
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 2,814,456,471	P 2,308,916,531
Trade and other receivables	5	76,270,088	9,339,619
Other current assets	7	<u>19,175,565</u>	<u>1,194,220</u>
Total Current Assets		<u>2,909,902,124</u>	<u>2,319,450,370</u>
NON-CURRENT ASSETS			
Trade receivables	5	44,178,735	12,300,122
Investment properties	6	49,443,000,000	49,443,000,000
Other non-current assets	7	<u>54,681,108</u>	<u>54,923,129</u>
Total Non-current Assets		<u>49,541,859,843</u>	<u>49,510,223,251</u>
TOTAL ASSETS		<u>P 52,451,761,967</u>	<u>P 51,829,673,621</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Deposits and other liabilities	8	<u>P 220,341,603</u>	<u>P 243,824,208</u>
NON-CURRENT LIABILITIES			
Deposits and other liabilities	8	784,162,812	729,865,666
Deferred tax liabilities		<u>223,026,622</u>	<u>101,168,724</u>
Total Non-current Liabilities		<u>1,007,189,434</u>	<u>831,034,390</u>
Total Liabilities		<u>1,227,531,037</u>	<u>1,074,858,598</u>
EQUITY			
Capital stock	10	2,532,121,381	2,532,121,381
Additional paid-in capital	1, 10	47,907,466,035	47,907,466,035
Retained earnings		<u>784,643,514</u>	<u>315,227,607</u>
Equity		<u>51,224,230,930</u>	<u>50,754,815,023</u>
TOTAL LIABILITIES AND EQUITY		<u>P 52,451,761,967</u>	<u>P 51,829,673,621</u>

See Selected Explanatory Notes to Condensed Interim Financial Statements.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021
(With Comparative Figures for the Six Months Ended June 30, 2021)*
(Amounts in Philippine Pesos)

EXHIBIT 2

	Notes	September 30, 2021 (Three Months) (Unaudited)	June 30, 2021 (Six Months) (Audited)
REVENUES			
Rental income		P 583,718,803	P 195,044,232
Income from dues - net		<u>127,483,507</u>	<u>32,151,176</u>
		711,202,310	227,195,408
COST OF SERVICES	7, 9	<u>93,249,255</u>	<u>20,469,415</u>
GROSS PROFIT		617,953,055	206,725,993
OTHER OPERATING EXPENSES		<u>4,675,669</u>	<u>18,761,149</u>
OPERATING PROFIT		<u>613,277,386</u>	<u>187,964,844</u>
OTHER INCOME (CHARGES) - Net			
Interest expense	8	(7,574,548)	(2,403,391)
Interest income	4, 7	4,400,450	637,045
Fair value gains on investment properties	6	<u>-</u>	<u>240,592,380</u>
		(<u>3,174,098</u>)	<u>238,826,034</u>
PROFIT BEFORE TAX		610,103,288	426,790,878
TAX EXPENSE		(<u>140,687,381</u>)	(<u>101,284,451</u>)
NET PROFIT		469,415,907	325,506,427
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>P 469,415,907</u>	<u>P 325,506,427</u>
BASIC AND DILUTED EARNINGS			
PER SHARE	11	<u>P 0.19</u>	<u>P 0.13</u>

* The Company was incorporated on October 2, 2020 and has started its commercial operations on June 2, 2021.

See Selected Explanatory Notes to Condensed Interim Financial Statements.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021
(With Comparative Figures for the Six Months Ended June 30, 2021)*
(Amounts in Philippine Pesos)

EXHIBIT 3

	Notes	September 30, 2021 (Three Months) (Unaudited)	June 30, 2021 (Six Months) (Audited)
CAPITAL STOCK			
Balance at beginning of period		P 2,532,121,381	P 10,000,000
Issuance of shares during the period	1	-	2,522,121,381
Balance at end of period	10	2,532,121,381	2,532,121,381
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of period		47,907,466,035	-
Addition during the period	1, 10	-	47,907,466,035
Balance at end of period		47,907,466,035	47,907,466,035
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of period		315,227,607	(10,278,820)
Net profit during the period		469,415,907	325,506,427
Balance at end of period		784,643,514	315,227,607
EQUITY		P 51,224,230,930	P 50,754,815,023

* The Company was incorporated on October 2, 2020 and has started its commercial operations on June 2, 2021.

See Selected Explanatory Notes to Condensed Interim Financial Statements.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021
(With Comparative Figures for the Six Months Ended June 30, 2021)*
(Amounts in Philippine Pesos)

EXHIBIT 4

	<u>Notes</u>	<u>September 30, 2021</u> <u>(Three Months)</u> <u>(Unaudited)</u>	<u>June 30, 2021</u> <u>(Six Months)</u> <u>(Audited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 610,103,288	P 426,790,878
Adjustments for:			
Interest expense	8	7,574,548	2,403,391
Interest income	4, 7	(4,400,450)	(637,045)
Fair value gains on investment properties	6	-	(240,592,380)
Operating profit before working capital changes		<u>613,277,386</u>	187,964,844
Increase in trade and other receivables		(98,809,082)	(21,639,741)
Increase in other current assets		(17,981,345)	(1,184,980)
Decrease (increase) in other non-current assets		429,178	(54,864,716)
Decrease in due to parent company		-	(201,820)
Increase in deposits and other liabilities		<u>23,239,993</u>	<u>971,200,243</u>
Cash generated from operations		<u>520,156,130</u>	1,081,273,830
Income tax paid		(18,829,483)	(115,727)
Interest received		<u>4,213,293</u>	<u>578,632</u>
Net Cash From Operating Activities		505,539,940	1,081,736,735
CASH FLOW FROM A FINANCING ACTIVITY			
Proceeds from issuance of shares, net of shares issuance costs	10	<u>-</u>	<u>1,227,179,796</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		505,539,940	2,308,916,531
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>2,308,916,531</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>P 2,814,456,471</u>	<u>P 2,308,916,531</u>

* The Company was incorporated on October 2, 2020 and has started its commercial operations on June 2, 2021.

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 properties transferred and was presented as Investment Property (see Note 6). 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 10).

See Selected Explanatory Notes to Condensed Interim Financial Statements.

MREIT, INC.
(Formerly Megaworld Holdings, Inc.)
(A Subsidiary of Megaworld Corporation)
SELECTED EXPLANATORY NOTES TO CONDENSED
INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(With Comparative Audited Figures as of June 30, 2021)
(UNAUDITED)
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

MREIT, Inc. (the Company, formerly Megaworld Holdings, Inc.) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 2, 2020. The Company's primary purpose, as amended in April 2021, 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.

On February 1, 2021, Megaworld Corporation (MC or the Parent Company) obtained control over the Company by subscribing to 12,400,000 shares of the Company's authorized capital stock with par value of P100 per share or a total of P1,240,000,000. Accordingly, MC acquired 99.20% direct ownership of the Company's total issued and outstanding capital stock (see Note 10).

On April 7, 2021, majority of the members of the Board of Directors (BOD) and stockholders of the Company approved the amendments to the Articles of Incorporation and By-Laws of the Company, which include, among others, the following:

- change of name of the Company from Megaworld Holdings, Inc. to MREIT, Inc.;
- change in primary purpose of the Company from engaging in investment activities as an investment holdings company to engaging in the business of a real estate investment trust, as provided under the REIT Act and other applicable laws, which business includes: dealing with (1) income-generating real estate; (2) real estate, real estate-related assets, investments and instruments; and, (3) rent, interest, dividends and income arising from its property and investments;
- change in the secondary purposes of the Company to align with its primary purpose;
- change of principal office of the Company from 30th Floor, Alliance Global Tower to 18th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City;
- change in number of directors from five to seven;
- change in par value of common shares from P100 to P1, resulting to an increase in the number of common shares from 50,000,000 to 5,000,000,000; and,
- 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 Bureau of Internal Revenue approved the amendments to the Company's Articles of Incorporation and By-Laws on May 19, 2021 and May 20, 2021, respectively.

Likewise, on April 7, 2021, the BOD and stockholders of the Company approved the Property-for-Share Swap transaction with the Parent Company in which the Parent Company transferred, assigned and conveyed absolutely in favor of the Company all of its rights, title and interests in certain real properties, free from liabilities and debts and free from all liens and encumbrances, in exchange for 1,282,120,381 common shares with a par value of P1 per share and additional paid-in capital (APIC) of P47,920,287,239. On May 3, 2021, the Company applied for approval of the valuation of the Property-for-Share Swap with the SEC. The SEC certified the approval of the valuation of the Property-for-Share Swap on June 1, 2021; hence, the issuance of additional common shares to MC was consummated. Accordingly, MC's direct ownership interest increased to 99.61% of the total issued and outstanding capital stock of the Company (see Notes 6 and 10).

On June 16, 2021, the Company filed its application with the Philippine Stock Exchange (PSE) for the listing of its 2,532,121,381 existing common shares, which includes the Secondary Offer Shares of 844,300,000 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. 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 Company was listed as a REIT company under the Main Board of the PSE, and the Secondary Offer Shares of 844,300,000 common shares held by MC were sold to the public at a price of P16.10 per share.

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.

Both MC and AGI are publicly-listed companies in the Philippines.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these condensed interim financial statements are consistent with those applied in the audited financial statements as of and for the period ended June 30, 2021.

2.1 Basis of Preparation of Condensed Interim Financial Statements

These condensed interim financial statements for the three months ended September 30, 2021 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited financial statements of the Company as at and for the period ended June 30, 2021.

The preparation of condensed interim financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These condensed interim financial statements are presented in Philippine peso, the functional and presentation currency of the Company, and all values represent absolute amounts except when otherwise indicated.

2.2 Adoption of New and Amended PFRS

(a) Effective in Fiscal Year 2021 that is Relevant to the Company

The Company adopted for the first time the following amendments that are relevant to the Company and effective for financial statements with annual periods beginning on or after January 1, 2021:

- (i) PFRS 9 (Amendments), Financial Instruments, PAS 39 (Amendments), Financial Instruments: Recognition and Measurement, PFRS 7 (Amendments), Financial Instruments: Disclosures, and PFRS 16 (Amendments), Leases – Interest Rate Benchmark Reform - Phase 2*** (effective from January 1, 2021). The amendments provide practical expedients for changes in the basis for determining the contractual cash flows and reliefs from certain hedge accounting requirements due to alteration of interest rate benchmark as a result of interest rate benchmark reform. Moreover, they require an entity to disclose information that enable users to understand the nature and extent of risks resulting from interest rate benchmark reform, the management of such risks, the progress of transition to alternative benchmark rates and the management of such transition. The application of these amendments had no significant impact on the Company's financial statements.
- (ii) PFRS 16 (Amendments), Leases – COVID-19-Related Rent Concessions Beyond 30 June 2021*** (effective from April 1, 2021). The amendments provide a one-year extension to the application period of the practical expedient previously issued which permits lessees not to assess whether the COVID-19 related rent concessions are lease modifications. The application of these amendments had no significant impact on the Company's financial statements.

(b) *Effective Subsequent to Fiscal Year 2021 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements.

- (i) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- (ii) Annual Improvements to PFRS 2018-2020 Cycle (effective from January 1, 2022). Among the improvements, only PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*, is relevant to the Company. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- (iii) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- (iv) PAS 1 (Amendments), *Presentation of Financial Statements* and PFRS Practice Statement 2 (Amendments), *Making Materiality Judgments – Disclosure of Accounting Policies* (effective from January 1, 2023). The amendments specify the requirement for an entity to disclose its material accounting policies instead of its significant accounting policies and provide guidance and examples with regards to application of the four-step materiality process in the identification of material accounting policy disclosures.
- (v) PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates* (effective from January 1, 2023). The amendments clarify the definition of accounting estimates as monetary amounts in the financial statements that are subject to measurement uncertainty and the difference of changes in accounting estimates from changes in accounting policies and corrections of prior period errors.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In preparing the condensed interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the condensed interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last audited financial statements as at and for the period ended June 30, 2021.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following

	<u>September 30, 2021</u>	<u>June 30, 2021</u>
Cash in banks	P 687,319,693	P 1,308,559,864
Short-term placements	<u>2,127,136,778</u>	<u>1,000,356,667</u>
	<u>P 2,814,456,471</u>	<u>P 2,308,916,531</u>

Cash in banks generally earn interest at rates based on daily bank deposit rates.

Short-term placements are made for varying periods of up to three months depending on the cash requirements of the Company, and earn annual interest at the respective short-term placement rates.

Interest earned from cash in bank and short-term placements amounted to P4.2 million and P0.6 million for the three months ended September 30, 2021 and six months ended June 30, 2021, and is presented under Other Income (Charges).

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Note</u>	<u>September 30, 2021</u>	<u>June 30, 2021</u>
Current:			
Rent receivables:	9.1		
Billed		P 48,370,786	P 7,793,613
Accrued		547,077	85,318
Receivables from tenants		26,829,589	-
Others		<u>522,636</u>	<u>1,460,688</u>
		76,270,088	9,339,619
Non-current –			
Rent receivables –	9.1		
Accrued		<u>44,178,735</u>	<u>12,300,122</u>
		<u>P 120,448,823</u>	<u>P 21,639,741</u>

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

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

Receivables from tenants arise mainly from billings of Common Use Service Area fees and utilities usage to tenants. 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 as management believes that the remaining receivables are fully collectible.

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.

The Company's investment properties are accounted for under fair value model. The fair values of the investment properties as of both September 30, 2021 and June 30, 2021 amounted to P49,443.0 million, and were determined based on the latest appraisal reports by an independent real property appraiser, which uses the income approach. The related fair value gains amounted to P240.6 million for the six months ended June 30, 2021, and is presented under Other Income (Charges).

The changes in the carrying amounts of investment properties presented in the condensed interim statements of financial position are summarized below.

	<u>September 30, 2021</u>	<u>June 30, 2021</u>
Balance at beginning of period	P 49,443,000,000	P -
Additions	-	49,202,407,620
Fair value gains	<u>-</u>	<u>240,592,380</u>
Balance at end of period	<u>P 49,443,000,000</u>	<u>P 49,443,000,000</u>

7. OTHER ASSETS

The Company's other assets consist of the following:

	<u>September 30, 2021</u>	<u>June 30, 2021</u>
Current:		
Prepaid expenses	P 13,332,621	P -
Creditable withholding taxes	3,369,684	1,140,880
Deferred input value-added taxes (VAT)	<u>2,473,260</u>	<u>53,340</u>
	<u>19,175,565</u>	<u>1,194,220</u>
Non-current:		
Deferred charges	42,166,631	42,595,809
Security deposit	<u>12,514,477</u>	<u>12,327,320</u>
	<u>54,681,108</u>	<u>54,923,129</u>
	<u>P 73,856,673</u>	<u>P 56,117,349</u>

Security deposit pertains to amount due from the Parent Company in relation to the lease of certain parcels of land on which the investment properties stand (see Note 9.2). The related interest income recognized from subsequent amortization of the security deposit is presented as part of Interest income.

Deferred charges 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. Amortization of deferred charges is presented as part of Cost of Services.

8. DEPOSITS AND OTHER LIABILITIES

The details of this account are as follows:

	<u>Notes</u>	<u>September 30, 2021</u>	<u>June 30, 2021</u>
Current:			
Advance rent	9.1	P 93,984,901	P 47,908,232
Security deposits	9.1	56,564,377	102,285,171
Accounts payable	9.3	28,607,012	55,497,840
Deferred credits		28,292,798	29,751,506
Others		<u>12,892,515</u>	<u>8,381,459</u>
		<u>220,341,603</u>	<u>243,824,208</u>
Non-current:			
Security deposits	9.1	466,800,766	405,187,680
Advance rent	9.1	258,479,814	259,071,270
Deferred credits		<u>58,882,232</u>	<u>65,606,716</u>
		<u>784,162,812</u>	<u>729,865,666</u>
		<u>P 1,004,504,415</u>	<u>P 973,689,874</u>

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 and will be refunded to the lessee at the end of the lease term.

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. Accretion of interest is presented as Interest expense under Other Income (Charges).

Others include withholding taxes payable, output VAT and deferred output VAT.

9. RELATED PARTY TRANSACTIONS

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

Related Party Category	Note	Amount of Transaction		Outstanding Receivable (Payable)	
		September 30, 2021	June 30, 2021	September 30, 2021	June 30, 2021
Parent Company					
Rendering of services	9.1	P 36,888,154	P 12,296,051	P 6,227,406	P 1,556,851
Advance rent	9.1	(13,527,808)	13,527,808	-	(13,527,808)
Security deposit	9.2	187,157	12,327,320	12,514,477	12,327,320
Related parties under common ownership					
Rendering of services	9.1	26,650,074	9,938,898	12,699,469	3,655,623
Advance rent	9.1	-	8,713,747	(8,713,747)	(8,713,747)
Security deposits	9.1	12,555,220	12,195,962	(24,751,082)	(12,195,962)
Fund management	9.3	14,493,548	-	(14,058,741)	-
Property management	9.3	8,282,027	-	(8,033,567)	-

9.1 Rendering of Services to Related Parties

The Company leases some of its investment properties to 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 five 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. The related outstanding receivables from these transactions, which are collectible on demand, unsecured and noninterest-bearing, are presented as part of Rent receivables under Trade and Other Receivables (see Note 5). Advanced rentals and security deposits relating to this transaction are presented under the current and non-current portion of Deposits and Other Liabilities (see Note 8).

9.2 Land Lease Agreement

In 2021, the Company entered into a land lease agreement with MC over the land on which the Assigned Properties stood for a period of 25 years until June 30, 2046, 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 (see Note 7). This deposit will be refunded at the end of the lease term at its face value amounting to P55.0 million.

9.3 Property Management and Fund Management Agreement

In 2021, the Company entered into property management agreement and fund management agreement with MREIT Property Managers, Inc. (the Property Manager) and MREIT Fund Managers, Inc. (the Fund Manager), respectively. Both are the Company's related parties under common ownership. For services provided to the Company under these agreements, the Property Manager and the Fund Manager is entitled to a fee of 2% and 3.5%, respectively, of the Company's gross revenues, exclusive of VAT. However, the fees paid to the Property Manager and the Fund Manager in any given year shall not exceed one percent of the net asset value of the properties under management. The term of both agreements is for a period of five years, commencing on the date of approval of the registration statement by the SEC for the initial public offering of the Company's shares of stock, and the approval of the listing application in accordance with the REIT Act. The incurred fees are presented as part of Cost of Services. The related outstanding liabilities from these transactions, which are payable on demand, unsecured and noninterest-bearing, are presented as part of Accounts payable under the Deposits and Other Liabilities (see Note 8).

10. CAPITAL STOCK

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 (see Note 1).

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 P47,920.3 million less shares issuance costs amounting to P12.8 million.

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

11. EARNINGS PER SHARE

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

	<u>September 30, 2021</u>	<u>June 30, 2021</u>
Net profit for the period	P 469,415,907	P 325,506,427
Divided by weighted number of outstanding common shares	<u>2,532,121,381</u>	<u>2,532,121,381</u>
Basic and diluted earnings per share	<u>P 0.19</u>	<u>P 0.13</u>

The Company has no potential dilutive common shares as of September 30, 2021 and June 30, 2021.

12. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Company which are not reflected in the accompanying condensed interim financial statements. The management of the Company is of the opinion, that losses, if any, from these items will not have any material effect on its condensed interim financial statements.

In addition, there are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with other entities or other persons created during the reporting period.

13. 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 14. 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 and in the succeeding page.

13.1 Market Risk

As of September 30, 2021 and June 30, 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.

13.2 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.

13.3 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.

14. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

14.1 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.

	Notes	September 30, 2021		June 30, 2021	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets					
Financial assets at amortized cost:					
Cash and cash equivalents	4	P 2,814,456,471	P 2,814,456,471	P 2,308,916,531	P 2,308,916,531
Trade and other receivables	5	120,448,823	120,448,823	21,639,741	21,639,741
Security deposit	7	12,514,477	12,868,180	12,327,320	12,443,514
		<u>P 2,947,419,771</u>	<u>P 2,947,773,474</u>	<u>P 2,342,883,592</u>	<u>P 2,342,999,786</u>
Financial liabilities					
Financial liabilities at amortized cost:					
Security deposits	8	P 523,365,143	P 516,963,071	P 507,472,851	P 507,990,352
Accounts payable	8	28,607,012	28,607,012	55,497,840	55,497,840
		<u>P 551,972,155</u>	<u>P 545,570,083</u>	<u>P 562,970,691</u>	<u>P 563,488,192</u>

14.2 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.

The Company's financial assets which are not measured at fair value in the condensed interim 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 and accounts payable, which are categorized under Level 3.

For assets and liabilities that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As of September 30, 2021 and June 30, 2021, the Company's investment properties amounting to P49,443.0 million 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 independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. Also, there were no transfers into or out of Level 3 fair value hierarchy.

15. 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.

As of September 30, 2021 and June 30, 2021, the Company is not exposed to any externally-imposed capital requirements.

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

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 Php49.2 billion properties. Hence, the Company has started its commercial operations on June 2, 2021. Below are the discussions on the results of operations for the three months ended September 30, 2021.

Revenues

Rental income for the three months ended September 30, 2021 amounted to Php583.7 million. This includes rental from office, retail and hotel including the hotel's parking spaces.

Income from dues-net amounted to Php127.5 million in the three months ended September 30, 2021. This includes primarily billings of Common Use Service Area (CUSA) fees and utilities usage to tenants.

Cost and Expenses

Cost of services amounted to Php93.2 million in the three months ended September 30, 2021. This comprises mainly of management fees, real property tax and other direct cost attributable to income from dues.

Other operating expenses amounted to Php4.7 million in the three months ended September 30, 2021. This represents general and administrative expenses.

Other income (charges) - net

Interest expense amounted to Php7.6 million in the three months ended September 30, 2021. This represents accretion of interest from security deposits.

Interest income amounted to Php4.4 million in the three months ended September 30, 2021. This represents mainly interest earned from short-term placements.

As a result of the foregoing, other income (charges)-net amounted to Php3.2 million in the three months ended September 30, 2021.

Profit before tax

As a result of the foregoing, profit before tax amounted to Php610.1 million in the three months ended September 30, 2021.

Tax expense

Tax expense amounted to Php140.7 million in the three months ended September 30, 2021. This includes current and deferred taxes incurred during the period.

Net profit

As a result of the foregoing, net profit amounted to Php469.4 million in the three months ended September 30, 2021.

There were no seasonal aspects that had a material effect on the financial condition or financial performance of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Company is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

Financial Condition

Assets

Total assets as of September 30, 2021 stood at Php52.5 billion, an increase of 1.2% or Php622.1 million, as compared to Php51.8 billion as of June 30, 2021. This increase was due to the following:

- Cash and cash equivalents amounted to Php2.8 billion as of September 30, 2021, an increase of Php505.5 million or 21.9% from Php2.3 billion as of June 30, 2021, due to higher collections during the period.
- Trade and other receivables increased by 456.6% or Php98.8 million, to Php120.4 million as of September 30, 2021 from Php21.6 million as of June 30, 2021. This includes primarily rental receivables and billings of CUSA fees and utilities usage.
- Other assets (current and non-current) increased by 31.6%, or Php17.7 million, to Php73.9 million as of September 30, 2021 from Php56.1 million as of June 30, 2021 due to increase in prepaid expenses.
- Investment properties amounted to Php49.4 billion in both periods as of September 30, 2021 and June 30, 2021. The amount presented is at fair value based on the latest appraisal reports by an independent real property appraiser.

Liabilities

Total liabilities as of September 30, 2021 stood at Php1.2 billion, an increase of 14.2%, or Php152.7 million, as compared to Php1.1 billion as of June 30, 2021. This increase was due to the following:

- Deposit and other liabilities amounted to Php1.0 billion as of September 30, 2021 from P831.0 million as of June 30, 2021. The current portion of deposits and other liabilities decreased by 9.6% or Php23.5 million, to P220.3 million as of September 30, 2021 from Php243.8 million as of June 30, 2021. Non-current deposits and other liabilities increased by 7.4% or Php54.3 million, to P784.2 million as of September 30, 2021 from Php729.9 million as of June 30, 2021. This mainly includes security deposits, advance rent, deferred credits and other payables.
- Deferred tax liabilities increased by 120.5% or Php121.9 million, to Php223.0 million as of September 30, 2021 from Php101.2 million as of June 30, 2021.

Equity

Total Equity increased by 0.9% from Php50.8 billion as of June 30, 2021 to Php51.2 billion as of September 30, 2021.

The top five (5) key performance indicators of the Company are shown below:

	September 30, 2021	June 30, 2021
Current Ratio *1	13.21:1.00	9.51:1.00
Acid Test Ratio *2	13.12:1.00	9.51:1.00
Asset to Equity *3	1.02:100	1.02:1.00
Return on Assets *4	0.90%	1.26%
Return on Equity *5	0.92%	1.28%

**1 – Current Assets / Current Liabilities*

**2 – Quick Assets / Current Liabilities (Quick assets include cash and current portion of trade receivables-net)*

**3 – Total Assets / Total Stockholders' Equity*

**4 – Net Profit / Average Total Assets*

**5 – Net Profit / Average Total Stockholders' Equity*

With its strong financial position, the Company will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

There are no other significant changes in the Company's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Company.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company does not anticipate having any cash flow or liquidity problems. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

The Company has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

There were no known material events subsequent to the end of the period that have not been reflected in the Company's Financial Statements as at first quarter of 2022.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the consolidated financial statements as at first quarter of 2022.

There are no commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Company which are not reflected in the accompanying consolidated financial statements.

There were no other material issuances, repurchases or repayments of debt and equity securities.

MREIT, INC.
Aging of Accounts Receivables
September 30, 2021

EXHIBIT 7

Type of Receivables:	Total	Current/ Not Yet Due	Past Due but not Impaired					Individually Impaired
			< 30 days	30-60 days	61-90 days	91-120 days	> 120 days	
a. Trade receivables	119,926,187	83,699,656	14,311,143	21,915,388	-	-	-	-
b. Other receivable	522,636	522,636	-	-	-	-	-	-
TOTAL	<u>120,448,823</u>	<u>84,222,292</u>	<u>14,311,143</u>	<u>21,915,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

MREIT, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
September 30, 2021*

EXHIBIT 8

Ratio	Formula	September 30, 2021	June 30, 2021
Current ratio	Current assets / Current liabilities	13.21	9.51
Acid test ratio	Quick assets / Current liabilities (Quick assets include cash and current portion of trade receivables - net)	13.12	9.51
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds and notes payable)**	N/A	N/A
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings and bonds and notes payable)**	N/A	N/A
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.02	1.02
Interest rate coverage ratio	EBIT / Total Interest (Total interest includes interest expense and capitalized interest)	81.55	178.58
Return on equity	Net profit / Average total stockholders' equity	0.01	0.01
Return on assets	Net profit / Average total assets	0.01	0.01
Net profit margin	Net profit / Total revenues	0.66	1.43

*The Company was incorporated on October 2, 2020. Accordingly, June 30, 2021 financial ratios presented cover six months ended June 30, 2021.

**The Company has no interest bearing loans and borrowings and bonds and notes payable as of the periods covered.