

PSE Security Code _____
SEC Number CS202052294
File Number _____

MREIT, INC.

(Company's Full Name)

**18TH FLOOR ALLIANCE GLOBAL TOWER, 36TH STREET CORNER
11TH AVENUE, UPTOWN BONIFACIO, TAGUIG CITY 1634,
METRO MANILA, PHILIPPINES**

(Company's Address)

(02) 88946400

(Company's Telephone Number)

DECEMBER 31

(Fiscal Year Ending)
(Month & Day)

SEC FORM 17-Q (Q1 2023)

(Form Type)

(Amendment Designation, if Applicable)

Period Ended Date

PERMIT TO OFFER SECURITIES FOR SALE

(Secondary License Type, if any)

**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 **31 March 2023**
2. SEC Identification Number: **CS202052294** 3. BIR Tax Identification No. **502-228-971**
4. **MREIT, INC.**
Exact name of issuer as specified in its charter
5. **Taguig City, Metro Manila, Philippines**
Province, country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. **18th Floor, Alliance Global Tower, 36th Street cor.
11th Avenue, Uptown Bonifacio, Taguig City 1634**
Address of principal office
8. **(02) 88946400**
Registrant's telephone number, including area code
9. Former name, former address and formal fiscal year, if changed since last report:
N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	2,795,821,381¹

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

Yes **No**

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange Common Shares

12. Check whether the issuer:

has filed all reports required to be filed by Section 17 of the SRC 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.

Yes **No**

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

Yes **No**

¹ As of 31 March 2023, MREIT, Inc. has a total of 2,795,821,381 common shares issued and outstanding. 2,532,121,381 common shares are listed in the Philippine Stock Exchange, while the 263,700,000 common shares issued in March 2023 will also be applied for listing with the Exchange.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Interim financial statements are attached as Exhibits hereof and incorporated by reference:

- Exhibit 1 - Consolidated Statements of Financial Position as of 31 March 2023
- Exhibit 2 - Consolidated Statements of Income and Consolidated Statements of Comprehensive Income for the Three Months Ended 31 March 2023 and 2022
- Exhibit 3 - Consolidated Statements of Changes in Equity for the Three Months Ended 31 March 2023 and 2022
- Exhibit 4 - Consolidated Statements of Cash Flows for the Three Months Ended 31 March 2023 and 2022
- Exhibit 5 - Notes to Interim Financial Information for the Three Months Ended 31 March 2023

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

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.

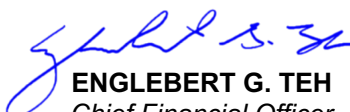
PART II – OTHER INFORMATION

The Company is not in possession of information which have 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.

MREIT, INC.
Issuer

By: 
ENGLEBERT G. TEH
Chief Financial Officer
12 May 2023

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
INTERIM STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023
(With Comparative Figures as of December 31, 2022)
(Amounts in Philippine Pesos)

EXHIBIT 1

	<u>Notes</u>	<u>March 31, 2023</u> <u>(Unaudited)</u>	<u>December 31, 2022</u> <u>(Audited)</u>
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 1,409,056,533	P 1,380,526,060
Trade and other receivables	5	503,466,303	263,951,215
Other current assets	7	<u>204,424,114</u>	<u>268,309,116</u>
Total Current Assets		<u>2,116,946,950</u>	<u>1,912,786,391</u>
NON-CURRENT ASSETS			
Trade receivables	5	104,109,033	45,889,816
Investment properties	6	61,713,000,000	56,439,000,000
Other non-current assets	7	<u>92,414,638</u>	<u>92,640,614</u>
Total Non-current Assets		<u>61,909,523,671</u>	<u>56,577,530,430</u>
TOTAL ASSETS		<u>P 64,026,470,621</u>	<u>P 58,490,316,821</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Accounts and other payables	8	P 677,740,095	P 493,988,323
Deposits and other liabilities	9	<u>296,655,272</u>	<u>266,074,302</u>
Total Current Liabilities		<u>974,395,367</u>	<u>760,062,625</u>
NON-CURRENT LIABILITIES			
Interest-bearing loan	10	7,202,586,343	7,201,241,354
Deposits and other liabilities	9	<u>1,076,593,728</u>	<u>1,010,783,749</u>
Total Non-current liabilities		<u>8,279,180,071</u>	<u>8,212,025,103</u>
Total Liabilities		<u>9,253,575,438</u>	<u>8,972,087,728</u>
EQUITY			
Capital stock	12	P 2,795,821,381	2,532,121,381
Additional paid-in capital	12	52,782,813,885	47,907,466,035
Deficit		<u>(805,740,083)</u>	<u>(921,358,323)</u>
Total Equity		<u>54,772,895,183</u>	<u>49,518,229,093</u>
TOTAL LIABILITIES AND EQUITY		<u>P 64,026,470,621</u>	<u>P 58,490,316,821</u>

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

EXHIBIT 2

	Notes	2023	2022
REVENUES			
Rental income	6	P 811,510,308	P 742,725,059
Income from dues - net		<u>224,411,108</u>	<u>158,841,045</u>
		1,035,921,416	901,566,104
COST OF SERVICES			
	7, 11	<u>217,303,600</u>	<u>132,345,708</u>
GROSS PROFIT			
		818,617,816	769,220,396
OTHER OPERATING EXPENSES			
		<u>20,197,279</u>	<u>7,597,833</u>
OPERATING PROFIT			
		<u>798,420,537</u>	<u>761,622,563</u>
OTHER INCOME (CHARGES) - NET			
Interest Expense	10	(75,242,623)	(76,730,751)
Interest Income	4, 7	8,866,227	2,791,855
Others		<u>84,821</u>	<u>7,748</u>
		(<u>66,291,575</u>)	(<u>73,931,148</u>)
PROFIT BEFORE TAX			
		732,128,962	687,691,415
TAX EXPENSE			
		(<u>1,711,651</u>)	(<u>520,639</u>)
NET PROFIT			
		730,417,311	687,170,776
OTHER COMPREHENSIVE INCOME			
		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME			
		<u>P 730,417,311</u>	<u>P 687,170,776</u>
BASIC AND DILUTED EARNINGS			
PER SHARE	13	<u>P 0.26</u>	<u>P 0.27</u>

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

EXHIBIT 3

	Notes	2023	2022
CAPITAL STOCK			
Balance at beginning of period		P 2,532,121,381	P 2,532,121,381
Issuance of shares during the period	12	263,700,000	-
Balance at end of period		2,795,821,381	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	12	4,875,347,850	-
Balance at end of period		52,782,813,885	47,907,466,035
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of period		(921,358,323)	1,721,734,662
Net profit during the period		730,417,311	687,170,776
Dividends declared during the period	12	(614,799,071)	(607,455,919)
Balance at end of period		(805,740,083)	1,801,449,519
TOTAL EQUITY		P 54,772,895,183	P 52,241,036,935

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

EXHIBIT 4

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 732,128,962	P 687,691,415
Adjustments for:			
Interest expense	9, 10	75,242,623	76,730,751
Interest income	4, 7	(8,866,227)	(2,791,855)
Operating profit before working capital changes		798,505,358	761,630,311
Increase in trade and other receivables		(297,832,864)	(42,290,080)
Increase (decrease) in other current assets		63,885,002	(50,151,081)
Decrease in other non-current assets		426,257	419,848
Increase in accounts and other payables		183,751,772	72,221,600
Increase (decrease) in deposits and other liabilities		88,403,065	(9,897,518)
Cash generated from operations		837,138,590	731,933,080
Interest received		8,764,505	2,524,044
Final tax paid		(1,711,651)	(520,639)
Net Cash From Operating Activities		844,191,444	733,936,485
CASH FLOW FROM AN INVESTING ACTIVITY			
Acquisition of property and equipment		-	(76,983)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	12	(614,799,071)	(607,455,919)
Payment for stock issuance cost		(134,952,150)	-
Interest paid	10	(65,909,750)	(65,909,750)
Net Cash Used in Financing Activities		(815,660,971)	(673,365,669)
NET INCREASE IN			
CASH AND CASH EQUIVALENTS		28,530,473	60,493,833
CASH AND CASH EQUIVALENTS			
AT BEGINNING OF PERIOD		1,380,526,060	1,333,805,607
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
		P 1,409,056,533	P 1,394,299,440

Supplemental Information on Non-cash Investing and Financing Activity —

In 2023, the Company and Megaworld Corporation (the Parent Company) entered into a property-for-share swap transaction where the Parent Company transferred certain real properties to the Company amounting to P5,274.0 million. In exchange for the properties transferred, the Company issued 263,700,000 common shares with to the Parent Company which resulted in recognition of Capital Stock and Additional Paid-in Capital amounting to P263.7 million and P4,875.3 million, respectively (see Note 6 an 12).

See Notes to Financial Statements.

MREIT, INC.
(A Subsidiary of Megaworld Corporation)
SELECTED EXPLANATORY NOTES TO
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(With Comparative Figures as of December 31, 2022
and for the three months ended March 31, 2022)
(Amounts in Philippines Pesos)
(Unaudited)

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 65.67% 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-Laws on 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.

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 Condensed Interim Financial Statements*

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

The condensed interim financial statements of the Company for the three months ended March 31, 2023 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 December 31, 2022.

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 2023 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, 2023:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
PAS 12 (Amendments)	:	Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Discussed below are the relevant information about these pronouncements. None of these amendments did not have a significant impact on the interim financial statements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. 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.
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates*. The amendments introduced the definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of PAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments apply to transactions such as leases and decommissioning obligations.

(b) *Effective in 2023 that are not Relevant to the Company*

Among the new standards and amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2023, only PFRS 17, *Insurance Contracts* is not relevant to the Company.

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 December 31, 2022.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand and in bank	P 696,438,184	P 724,400,562
Short-term placements	<u>712,618,349</u>	<u>656,125,498</u>
	<u>P 1,409,056,533</u>	<u>P 1,380,526,060</u>

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 6%.

Interest earned from cash in bank and short-term placements for the three months ended March 31, 2023 and 2022 amounted to P8.7 million and P2.6 million, respectively. Interest earned is presented as part of Interest Income in the interim statements of comprehensive income.

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Current		
Trade receivables:		
Billed	P 133,180,856	P 104,289,531
Accrued	108,980,384	148,321,339
Due from parent company	207,263,800	-
Others	<u>54,041,263</u>	<u>11,340,345</u>
	503,466,303	263,951,215
Non-current –		
Trade receivables –		
Accrued	<u>104,109,033</u>	<u>45,889,816</u>
	<u>P 607,575,336</u>	<u>P 309,841,031</u>

Due from parent company are inclusive of security deposits, advance rentals and unremitted collections from the rental of prime, grade A, office properties in PEZA-accredited zones transferred by MC to the Company in the beginning of the year.

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.

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 presented below.

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	P 56,439,000,000	P 59,261,000,000
Additions	5,274,000,000	-
Fair value losses	<u>-</u>	<u>(2,822,000,000)</u>
Balance at end of period	<u>P 61,713,000,000</u>	<u>P 56,439,000,000</u>

As of March 31, 2023 and December 31, 2022, the Company has a total of 18 and 14 investment properties, respectively. The Company's investment properties as of March 31, 2023 are as follows:

Located at McKinley Hill, Fort Bonifacio, Taguig City:

- One World Square
- Two World Square
- Three World Square
- 8/10 Upper McKinley Building
- 18/20 Upper McKinley Building
- World Finance Plaza
- One West Campus (80% owned pro indiviso)
- Five West Campus (80% owned pro indiviso)

Located at Eastwood, Quezon City:

- 1880 Eastwood Avenue
- 1800 Eastwood Avenue
- E-Commerce Plaza

Located at Iloilo Business Park, Iloilo City:

- Richmonde Hotel Iloilo and Richmonde Iloilo Office Tower
- One Techno Place
- Two Techno Place
- Three Techno Place
- One Global Center
- Two Global Center
- Festive Walk 1B

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

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

	<u>Ownership</u>
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

For the three months ended March 31, 2023 and 2022, rental income from investment properties amounted to P811.5 million and P742.7 million, respectively.

The direct operating costs incurred relating to investment properties, which pertains to repairs and maintenance and real property taxes, amounted to P46.6 million, P7.2 million for the three months ended March 31, 2023 and, 2022, respectively. All investment properties generate rental income.

The fair values of the investment properties were determined based on the latest appraisal reports by an independent real property appraiser, which uses the income approach (see Note 17.3).

7. OTHER ASSETS

The Company's other assets consist of the following:

	March 31, 2023	December 31, 2022
	<u>(Unaudited)</u>	<u>(Audited)</u>
Current:		
Prepaid expenses	P 71,224,004	P 156,894,776
Creditable withholding taxes	87,323,838	78,876,441
Deferred input value added tax (VAT)	<u>45,876,272</u>	<u>32,537,899</u>
<i>Balance carried forward</i>	<u>P 204,424,114</u>	<u>P 268,309,116</u>

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>Balance brought forward</i>	<u>P 204,424,114</u>	<u>P 268,309,116</u>
Non-current:		
Deferred charges	55,613,559	56,033,405
Security deposit	19,688,743	19,488,462
Other non-current asset	<u>17,112,336</u>	<u>17,118,747</u>
	<u>92,414,638</u>	<u>92,640,614</u>
	<u>P 296,838,752</u>	<u>P 360,949,730</u>

Security deposit is related to the lease of certain parcels of land on which the investment properties stand (see Note 11.2). The related interest income recognized from subsequent amortization of the security deposit is presented as part of Interest income under Other Income (Charges) - net section in the interim 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 Cost of Services account in the interim statements of comprehensive income. 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:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
	<u>Notes</u>	
Accounts payable	11.3 P 555,308,296	P 411,064,691
Accrued expenses	54,791,622	53,027,572
Deferred output VAT	38,583,658	4,524,528
Output VAT payable	14,852,338	9,406,429
Interest payable	10 8,055,636	8,055,636
Withholding taxes payable	6,135,467	6,076,519
Others	<u>13,078</u>	<u>1,832,948</u>
	<u>P 677,740,095</u>	<u>P 493,988,323</u>

9. DEPOSITS AND OTHER LIABILITIES

The details of this account are as follows:

	Note	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Current:			
Advance rent	11.1	P 165,787,932	P 152,740,389
Security deposits	11.1	124,487,108	107,491,807
Deferred credits		<u>6,380,232</u>	<u>5,841,656</u>
Non-current:			
Security deposits	11.1	670,554,588	605,347,267
Advance rent	11.1	333,265,624	327,114,762
Deferred credits		<u>72,773,516</u>	<u>78,321,720</u>
		<u>1,076,593,728</u>	<u>1,010,783,749</u>
		<u>P 1,373,249,000</u>	<u>P 1,276,858,051</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 spaces and will be refunded to the lessee at the end of the lease term.

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 March 31, 2023 and December 31, 2022, the Company is in compliance with such financial covenant obligations.

The related interest incurred amounted to P65.9 million for the three months ended March 31, 2023 and 2022, and this is presented as part of Interest Expense in the interim statement of comprehensive income. The related accrual is presented as Interest payable under Accounts and Other Payables in the statements of financial position (see Note 8).

11. 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.

Related Party Category	Notes	Amount of Transaction		Outstanding Receivable (Payable)	
		March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Parent Company:					
Property-for-share swap	5, 11.4	P 207,263,800	P -	P 207,263,800	P -
Rendering of services	11.1	40,669,770	52,581,645	62,079,726	30,071,019
Advance rent	11.1	-	-	(3,713,545)	(3,713,545)
Security deposits received	11.1	-	-	(27,097,524)	(27,097,524)
Security deposits paid	11.2	-	1,288,659	19,688,743	35,285,424
Related parties under common ownership					
Advance rent	11.1	(10,914,639)	(96,529)	(19,628,386)	(8,713,747)
Security deposits received	11.1	-	(2,150,641)	(25,128,472)	(25,128,472)
Rendering of services	11.1	31,928,349	31,996,008	64,261,652	54,249,565
Management services	11.3	(56,975,678)	(49,586,136)	(179,142,056)	(146,452,966)
Key management personnel –					
Compensation	11.5	1,367,455	1,367,445	-	-

11.1 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 condensed interim statements of comprehensive income. 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).

11.2 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.

11.3 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 P57.0 million and P49.6 million management fees for the three months ended March 31, 2023 and 2022, respectively, which is presented as part of Cost of Services in the interim statements of comprehensive income. The outstanding balance of P146.5 million as of March 31, 2023 and P146.5 million as of December 31, 2022 is presented as part of Accounts payable under Accounts and Other Payables account in the interim statements of financial position (see Note 8).

11.4 Property-for-share swap

Pursuant to the Amended Deed of Exchange of Property for Shares between the Company and MC (see Note 6), all collections of rental fees, security deposits and advanced rent from January 1, 2023 on the covered properties shall be remitted by MC to the Company. The breakdown of the unremitted collections are presented as Due from Parent Company account under trade and other receivables as of March 31, 2023 as follows (see Note 5):

Security deposits	P	92,030,171
Rendering of services		91,767,133
Advance rent		<u>23,466,496</u>
Due from Parent Company	P	<u>207,263,800</u>

11.5 Key Management Personnel Compensation

Key management personnel compensation pertains to payment for outsourced management services included within Outside services under Other Operating Expenses.

12. EQUITY

12.1 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.

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. On March 23, 2023, the SEC issued its confirmation of the valuation of the property-for-share swap. Consequently, on March 31, 2023, the Company issued 263,700,000 common shares. The Company will apply for the listing of the additional shares with the PSE within the second quarter of 2023.

As of March 31, 2023, there are 24,365 shareholders of at least one board lot of the listed shares, which closed at P14.46 per share as of that date.

12.2 Dividends

On March 4, 2022, the BOD approved the declaration of cash dividends of P0.2399 per share (P607.5 million) to stockholders on record as of March 18, 2022. The dividends were declared out of the unrestricted retained earnings for the year ending December 31, 2021. The cash dividends were paid on March 31, 2022.

On January 4, 2023, the BOD approved the declaration of cash dividends of P0.2399 per share (P614.8 million) to stockholders on record as of January 24, 2023. The dividends were declared out of the unrestricted earnings for the year ending December 31, 2022. The cash dividends were paid on February 15, 2023.

12.3 Distributable Income

The computation of the distributable income of the Company for the months ended March 31, 2023 is shown in the succeeding page.

Net income	P	730,417,311
Unrealized gains or adjustments to income as a result of certain transactions accounted for under PFRS	(27,276,695)
Adjustments due to any prescribed accounting Standard which result to a loss		<u>9,752,719</u>
Distributable income	P	<u>712,893,337</u>

13. EARNINGS PER SHARE

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

	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Net profit for the period	P 730,417,311	P 687,170,776
Divided by weighted number Of outstanding common shares	<u>2,795,821,381</u>	<u>2,532,121,381</u>
Basic and diluted earnings (loss) per share	<u>P 0.26</u>	<u>P 0.27</u>

The Company has no potential dilutive common shares as of three months ended March 31, 2023 and 2022.

14. COMMITMENTS AND CONTINGENCIES**14.1 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 March 31, 2023 and December 31, 2022 are shown in the succeeding page.

	March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Within one year	P 3,221,124,283	P 2,981,191,290
After one year but not more than two years	2,907,994,706	2,497,739,835
After two years but not more than three years	2,223,184,050	1,875,531,163
After three years but not more than four years	1,340,245,360	1,111,478,803
After four years but not more than five years	637,364,996	657,254,881
More than five years	<u>2,718,740,454</u>	<u>2,778,752,188</u>
	<u>P 13,048,653,849</u>	<u>P 11,901,948,160</u>

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).

14.2 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 11.2). 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).

14.3 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.

15. 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 16. 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 pages.

15.1 Market Risk

As of March 31, 2023 and December 31, 2022, 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.

15.2 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.

		March 31, 2023	December 31, 2022
	<u>Notes</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Cash and cash equivalents	4	P 1,409,056,533	P 1,380,526,060
Trade and other receivables	5	607,575,336	309,841,031
Security deposit	7	19,688,743	19,488,462
		<u>P 2,036,320,612</u>	<u>P 1,709,855,553</u>

(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.

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>
As of March 31, 2023 (Unaudited)	<u>P 607,575,336</u>	<u>P 1,492,123,614</u>	<u>P -</u>
As of December 31, 2022 (Audited)	<u>P 309,841,031</u>	<u>P 1,192,694,675</u>	<u>P -</u>

(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.

15.3 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 March 31, 2023 and December 31, 2022, the Company's financial liabilities have contractual maturities which are presented below.

	<u>Within 1 Year</u>	<u>1 to 5 Years</u>	<u>More than 5 Years</u>
<u>March 31, 2023 (unaudited)</u>			
Interest-bearing loan	P 260,877,794	P 1,096,496,493	P 8,160,880,615
Security deposits	80,283,620	624,904,157	81,250,993
Accounts payable	555,308,296	-	-
Accrued expenses	<u>54,791,622</u>	<u>-</u>	<u>-</u>
	<u>P 951,21,332</u>	<u>P 1,721,400,650</u>	<u>P 8,242,131,608</u>
<u>December 31, 2022 (audited)</u>			
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	<u>53,027,572</u>	<u>-</u>	<u>-</u>
	<u>P 913,108,674</u>	<u>P 1,623,320,172</u>	<u>P 8,307,994,764</u>

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.

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

16.1 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	<u>March 31, 2023 (Unaudited)</u>		<u>December 31, 2022 (Audited)</u>	
		<u>Carrying Values</u>	<u>Fair Values</u>	<u>Carrying Values</u>	<u>Fair Values</u>
<i>Financial assets</i>					
Financial assets at amortized cost:					
Cash and cash equivalents	4	P 1,409,056,533	P 1,409,056,533	P 1,380,526,060	P 1,380,526,060
Trade and other receivables	5	607,575,336	607,575,336	309,841,031	309,841,031
Security deposit	7	<u>19,688,743</u>	<u>23,756,833</u>	<u>19,488,462</u>	<u>19,488,462</u>
		<u>P 2,036,320,612</u>	<u>P 2,040,388,702</u>	<u>P 1,709,855,553</u>	<u>P 1,709,855,553</u>
<i>Financial liabilities</i>					
Financial liabilities at amortized cost:					
Interest-bearing loan	10	P 7,202,586,343	P 7,202,586,343	P 7,201,241,354	P 7,201,241,354
Security deposits	9	795,041,696	874,941,674	712,839,074	783,211,603
Accounts payable	8	237,564,029	237,564,029	411,064,691	411,064,691
Accrued expenses	8	54,791,622	54,791,622	53,027,572	53,027,572
Interest payable	8	<u>8,055,636</u>	<u>8,055,636</u>	<u>8,055,636</u>	<u>8,055,636</u>
		<u>P 8,298,039,326</u>	<u>P 8,377,939,304</u>	<u>P 8,354,127,228</u>	<u>P 8,098,435,386</u>

A description of the Company's risk management objectives and policies for financial instruments is provided in Note 15.

16.2 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.

17. FAIR VALUE MEASUREMENT AND DISCLOSURE

17.1 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.

17.2 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.

17.3 Fair Value Measurement of Investment Properties

The fair value of the Company's investment properties 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:

	<u>Increase</u>	<u>Decrease</u>
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.

18. 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.

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Total liabilities	P 9,253,575,438	P 8,972,087,278
Total equity	54,772,895,183	49,518,229,093

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.

19. 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.

Management's Discussion and Analysis of Results of Operations and Financial Condition (March 31, 2023)

Results of Operations (Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of three Months ending March 31, 2023 versus three Months Ending March 31, 2022

In the three months ended March 31, 2023, the Company saw an increase in net income to Php730 million from Php687 million in the same period last year. The increase was mainly driven by the transfer of the four (4) Prime, Grade A office buildings located in PEZA-Registered Zones, in exchange for shares of stock in the Company.

Revenues

Rental income grew by 9% or Php68 million to Php811m in the first quarter of 2023 from Php742m in the first quarter of 2022. This includes rental from office, retail and hotel including the hotel's parking spaces. Income from dues-net increased by 41% or Php65 million to Php224.4 million from Php158 million. This includes primarily billings of Common Use Service Area (CUSA) fees and utilities usage to tenants. Increases in both items is mainly due to the recognition of the related rental income and income from due-net of the additional assets transferred to the Company.

Cost and Expenses

Cost of services also grew by 64% from Php217 million during the first quarter of 2023 from Php132m. The increase of cost of service in Q1 of 2023 comprises mainly on repairs and maintenance on the building improvements, management fees, real property tax and other direct cost with full recognition of expenses in four 4 new properties acquired.

Other operating expenses increased by 166% due to the one-time expense incurred in relation to the confirmation of valuation sought from the SEC for the property for share swap transaction.

Tax Expense

Tax expense increased by 229% to Php1.7 million due to the higher final taxes arising from the higher interest income generated from the Company's short term placement.

	March 31, 2023	December 31, 2022
Current Ratio ¹	2.17	2.52
Debt to Equity Ratio ²	0.13	0.16
Net Debt to Equity Ratio ³	0.14	0.13
Return on Assets ⁴	1.19%	-0.30%
Return on Equity ⁵	1.40%	-0.35%

*1 – Current Assets / Current Liabilities

*2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)

*3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)

*4 – Net Profit / Average Total Assets

*5 – Net Profit / Average Equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.
- Funding will be sourced from internally-generated funds and/or bank loans.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.

EXHIBIT 6

- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- There is no known significant element of income or loss that did not arise from the Company's continuing operations, except as disclosed above and in the attached financial statements.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

Material Changes in the Financial Statements

(Increase/decrease of 5% or more)

Statement of Financial Position (March 31, 2023 vs December 31, 2022)

Item	March 31, 2023	Increase/ Decrease	% Change	Causes
Trade and other receivables	607,575,335.82	297,734,304.82	96%	Increase due to assignment of receivables, security deposits and advance rentals arising from the infusion of additional four (4) office assets as part of the Property for Share swap transaction
Other current assets	204,424,114.00	(63,885,002.00)	(24%)	Decrease due to the reduction on the balance of various prepayments
Accounts and other payables	677,740,095.59	183,751,772.59	37%	Increase due to rise in fund and property management fees, and other payables such as trade, output vat and deferred output vat payable related to the addition of the four (4) office assets during the quarter
Deposits and other liabilities	1,076,593,728.52	65,809,979.52	7%	Increase due to assignment of deposits and advance rentals arising from the infusion of additional four (4) office assets
Investment properties	61,713,000,000	5,274,000,000.00	10%	Increase due to the infusion of additional four (4) office assets as part of the Property for Share Swap transaction. The SEC issued its confirmation of valuation for the properties in March 23, 2023 triggering the issuance of new shares and the injection of said assets.
Capital stock	2,795,821,381.00	263,700,000.00	10%	
Additional Paid In Capital	52,782,813,885	4,875,347,850.00	10%	
Retained earnings (deficit)	(805,740,083.00)	115,618,240.00	(13%)	Movement in retained earnings due to the undistributed net income recognized during the quarter

EXHIBIT 6

Statement of Income (March 31, 2023 vs March 31, 2022)

Item	Mar 31, 2023 (3 Months)	Increase/ Decrease	% Change	Causes
Rental income	811,510,307.80	68,785,248.55	9%	Increase in revenue is due to the recognition of additional income coming from the four (4) office assets infused during the quarter
Income from dues - net	224,411,108.44	65,570,063.05	41%	
Cost of services	217,303,599.79	84,957,891.47	64%	Increase is mainly due to various building improvements implemented in first quarter of 2023. In addition, outside services and management fees also increased due to the injection of additional properties
Other operating expenses	(20,197,279.23)	(12,599,446.13)	166%	Increase is primarily due to one-time payment of fees to the SEC as part of the requirements for the Property for Share Swap transaction
Interest income	8,866,226.99	6,074,371.99	218%	Increase due to interest earned from short-term placements
Miscellaneous income	84,821.43	77,073.43	995%	Increase due to collection of penalties and non-recurring rental related income from tenants in the current quarter
Tax Expenses	(1,711,650.73)	(1,191,011.68)	229%	Increase is due to higher final tax expense alongside with the higher interest income earned from short term placements during the current period

There are no other significant changes in the Group'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 Group.

EXHIBIT 7

MREIT, INC.
Aging of Accounts Receivables
March 31, 2023

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	346,270,273	270,129,767	29,641,433	22,639,540	6,984,706	5,772,390	11,102,437	-
b. Other receivable	261,305,063	261,253,063	-	-	20,000	-	32,000	-
TOTAL	<u>607,575,336</u>	<u>531,382,830</u>	<u>29,641,433</u>	<u>22,639,540</u>	<u>7,004,706</u>	<u>5,772,390</u>	<u>11,134,437</u>	<u>-</u>

Ratio	Formula	March 31, 2023	December 31, 2022
Current ratio	Current assets / Current liabilities	2.17	2.52
Acid test ratio	Quick assets / Current liabilities (Quick assets include cash and current portion of trade receivables - net)	1.96	2.16
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings and bonds and notes payable)**	0.13	0.15
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.17	1.18
		March 31, 2023	March 31, 2022
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds and notes payable)**	0.11	0.11
Interest rate coverage ratio	EBIT / Total Interest (Total interest includes interest expense and capitalized interest)	10.71	9.96
Return on equity	Net profit / Average total stockholders' equity	0.01	0.0100
Return on assets	Net profit / Average total assets	0.01	0.0100
Net profit margin	Net profit / Total revenues	0.71	0.7600

Disclosures for REIT Companies¹

(a) Real Estate Transactions for Q1 2023

On March 21, 2023, the Securities and Exchange Commission certified the approval of the valuation of the properties listed below, which were transferred, assigned and conveyed by Megaworld Corporation (“Megaworld”) absolutely in favor of the Company, in exchange for 263,700,000 common shares of the Company, with a par value of P1 per share and additional paid-in capital (APIC) of P5,010,300,000.00, or a total subscription price of P5,274,000,000.00. As agreed between the Company and Megaworld, the properties started contributing to the Company’s revenues as of January 1, 2023.

Property	Location	Percentage of Interest Transferred	Valuation* (Php)
One West Campus	Taguig City	80% pro indiviso ownership	1,697,000,000.00
Five West Campus	Taguig City	80% pro indiviso ownership	1,895,000,000.00
Festive Walk 1B	Iloilo City	100% ownership	1,510,000,000.00
Two Global Center	Iloilo City	100% ownership	1,045,000,000.00

* The figures presented here are equivalent to 100% valuation of each of the properties based on the valuation reports that were used as basis for the property-for-shares swap transaction. For One West Campus and Five West Campus, the transfer of the 80% pro indiviso ownership was reflected in the purchase price. Please see part (b) of this report.

The properties were valued using the Income Approach.

¹ Pursuant to Section 6.2 of the Amended Listing Rules for REITs

(b) Schedule of Properties as of 31 March 2023

Property and Location	Purchase Price	Latest Appraisal*	Remaining Land Lease Term	Gross leasable area (GLA)	Leased Area	Occupancy Rate	Rental Income	Gross Revenue	Cost of Services	Gross Profit
	in Php millions	in Php millions	Years	in sqm	in sqm	%	in Php millions	in Php millions	in Php millions	in Php millions
Eastwood, Quezon City										
1800 Eastwood Avenue	6,948	7,026	48.1	34,738	34,128	98%	90.6	125.0	25.7	99.3
1880 Eastwood Avenue	6,749	6,798	48.1	33,744	26,228	78%	64.7	94.4	21.6	72.9
E-Commerce Plaza	4,188	4,276	48.1	20,940	18,834	90%	46.7	59.3	8.6	50.7
McKinley Hill, Taguig										
One World Square	7,529	7,343	48.1	30,482	30,223	99%	98.0	117.8	30.3	87.5
Two World Square	5,258	5,488	48.1	21,286	21,282	100%	66.5	86.4	17.3	69.1
Three World Square	5,241	4,799	48.1	21,217	21,003	99%	56.4	76.1	15.8	60.3
8/10 Upper McKinley	4,925	4,633	48.1	19,938	19,938	100%	74.5	87.4	12.4	74.9
18/20 Upper McKinley	4,795	4,347	48.1	19,414	19,413	100%	55.1	65.4	9.9	55.5
World Finance Plaza	5,153	5,245	48.8	25,067	22,996	92%	76.9	90.9	13.4	77.5
One West Campus**	1,293	1,697	50.0	9,704	9,657	100%	19.3	23.3	5.0	18.4
Five West Campus**	1,507	1,895	50.0	10,257	10,257	100%	22.3	26.7	5.3	21.4
Iloilo Business Park, Iloilo										
Richmonde Tower	2,062	1,392	48.1	13,124	13,124	100%	28.0	31.5	7.8	23.7

One Techno Place	1,509	1,166	48.1	9,549	9,041	95%	14.8	20.4	8.5	11.9
Two Techno Place	1,465	1,448	48.8	10,809	10,809	100%	20.8	27.2	6.6	20.6
Three Techno Place	1,242	1,227	48.8	9,568	9,305	97%	16.8	23.1	5.9	17.2
One Global Center	1,256	1,251	48.8	10,301	10,301	100%	18.6	25.4	8.1	17.4
Festive Walk 1B	1,473	1,510	50.0	14,703	13,687	93%	24.2	32.3	8.5	23.7
Two Global Center	1,001	1,045	50.0	9,903	9,903	100%	17.3	23.3	6.6	16.7
Total	63,594	62,586		324,742	310,128	95%	811.5	1,035.9	217.3	818.6

* Latest appraisal for 10 IPO Properties and 4 assets injected last December 2021, issued in 2023.

** The purchase price indicated in this report for these properties represent the price of the 80% pro indiviso ownership transferred to the Company pursuant to the Deed of Exchange of Property for Shares dated 5 April 2022. See part (a) of this report.

- (c) The comparative summary of the Company's financial performance for various time periods can be found in the SEC Form 17-Q and in the Unaudited Financial Statements for the first quarter of 2023.
- (d) As of the date of this report, the Company has no Reinvestment Plan that is on-going implementation. The following Reinvestment Plans of Megaworld Corporation, the Company's Sponsor, were fully implemented as of the dates mentioned below:

Relevant Transaction	Date of Reinvestment Plan	Date of Full Compliance
Secondary Offer by Megaworld Corporation of 844,300,000 Common Shares of MREIT, Inc. on 1 October 2021	9 September 2021; Amended as of 9 March 2022	30 September 2022
Sale by Megaworld Corporation to MREIT, Inc. of Four Prime, Grade A buildings located in PEZA-registered Zones for Php9.116 billion	17 December 2021; Amended as of 9 March 2022	19 December 2022