Metro Global Holdings Corporation

(formerly Fil-Estate Corporation)

Separate Financial Statements
As at and for the years ended December 31, 2021 and 2020

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Metro Global Holdings Corporation
(Formerly Fil-Estate Corporation)
Mezzanine Floor, Renaissance Tower,
Meralco Avenue, Pasig

Report on the Audits of the Separate Financial Statements

Our Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of Metro Global Holdings Corporation (the "Company") as at December 31, 2021 and 2020, and its financial performance and cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The separate financial statements of the Company comprise:

- the statements of financial position as at December 31, 2021 and 2020;
- the statements of total comprehensive income for the years ended December 31, 2021 and 2020;
- the statements of changes in equity for the years ended December 31, 2021 and 2020;
- the statements of cash flows for the years ended December 31, 2021 and 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditors" Responsibilities for the Audit of the Separate Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

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

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

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

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

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

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

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

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

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

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

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

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

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 21 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Dennis M. Malco.

Isla Lipana & Co.

Dennis M. Malco
Partner
CPA Cert. No. 126035
P.T.R. No. 0080034, issued on January 6, 2022, Makati City
SEC A.N. (individual) as general auditors 126035-SEC, Category A;
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN 268-146-184
BIR A.N. 08-000745-144-2022; issued on February 15, 2022; effective until February 14, 2025
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
May 10, 2022

METRO GLOBAL HOLDINGS CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **METRO GLOBAL HOLDINGS CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Isla Lipana & Co., the independent auditors, appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

Robert John L. Sobrepeña
Chairman of the Board / Chief Executive Officer

Atty. Ferdinand T. Santos
President / Chief Risk Officer

Ramon G. Jimenez
Treasurer / VP-CFO

ACKNOWLEDGEMENT

SUBSCRIBED AND SWORN to before me this MAY 12 2022 day of affiant(s) exhibiting to me his/their Social Security System Number, as follows:

NAMES	SSS NO.
Robert John L. Sobrepeña	03-6449007-1
Atty. Ferdinand T. Santos	03-2643588-3
Ramon G. Jimenez	03-6347637-1

ATTY. JAMES K. ABUGAN
Notary Public
Appt. No. 0442-21
Until Dec. 31, 2022
IBP No. 175[illegible] 01/06/2022 Rizal Chapter
Roll No. 26890 Lifetime
MCLE No. VI-0012875 Until 4/14/2022
TIN No. 116-239-956
PTR No. 4871351 / 01-06-2022
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Mandaluyong City

MANDALUYONG CITY

Doc. No.: 271;
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Book No.: 32;
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Metro Global Holdings Corporation
(formerly Fil-Estate Corporation)

Statements of Financial Position
As at December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
ASSETS			
Current assets			
Cash in banks	2	1,204,682	1,227,080
Trade and other receivables	3	7,494,090	8,863,008
Other current assets	4	472,502	113,025
Total current assets		9,171,274	10,203,113
Non-current assets			
Due from related parties	3,15	894,141,461	3,064,500
Financial assets at fair value through OCI	5	3,062,291,051	1,494,488,966
Intangible asset, net	8	710,252	737,569
Investment in associates	6	13,667,401	5,987,239
Investment in subsidiaries	7	441,833	1,110,799
Deferred tax asset	14	1,411,672	1,594,480
Total non-current assets		3,972,663,670	1,506,983,553
Total assets		3,981,834,944	1,517,186,666
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accrued expenses and other current liabilities	9	390,849,037	385,168,495
Income tax payable		-	6,310,576
Total current liabilities		390,849,037	391,479,071
Non-current liabilities			
Due to a stockholder	15	707,010,807	744,833,320
Due to other related parties	15	249,981,418	361,829,675
Total non-current liabilities		956,992,225	1,106,662,995
Total liabilities		1,347,841,262	1,498,142,066
Stockholders' equity			
Share capital	10	1,998,553,181	1,998,553,181
Additional paid-in capital	10	589,120,804	589,120,804
Fair value reserve	5	1,486,553	1,131,344
Retained earnings (deficit)		44,833,144	(2,569,760,729)
Total stockholders' equity		2,633,993,682	19,044,600
Total liabilities and stockholders' equity		3,981,834,944	1,517,186,666

(The notes on pages 1 to 37 are integral part of these financial statements)

Metro Global Holdings Corporation
(formerly Fil-Estate Corporation)

Statements of Total Comprehensive Income
For the years ended December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
Depot royalty income	11	7,887,684	9,329,483
General and administrative expenses	12	(31,877,137)	(11,364,014)
Loss from operations		(23,989,453)	(2,034,531)
Other income			
Dividend income	5	2,606,190,497	-
Share in profit of associates	6	7,680,162	5,987,239
Other income (expense), net	13	19,740,729	(135,498)
		2,633,611,388	5,851,741
Income before tax		2,609,621,935	3,817,210
Income tax benefit (expense)	14	4,971,938	(1,679,307)
Net income for the year		2,614,593,873	2,137,903
Other comprehensive income			
Item that will not be reclassified to profit or loss			
Fair value gain on financial assets at fair value through OCI	5	355,209	615,037
Total comprehensive income for the year		2,614,949,082	2,752,940
Basic and diluted earnings per share	16	1.3085	0.0004

(The notes on pages 1 to 37 are integral part of these financial statements)

Metro Global Holdings Corporation
(formerly Fil-Estate Corporation)

Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Share capital (Note 10)	Additional paid-in capital (Note 10)	Fair value reserve (Note 5)	Retained earnings (deficit)	Total
Balances at January 1, 2020	1,998,553,181	589,120,804	516,307	(2,571,898,632)	16,291,660
Profit for the year	-	-	-	2,137,903	2,137,903
Other comprehensive income for the year	-	-	615,037	-	615,037
Total comprehensive income for the year	-	-	615,037	2,137,903	2,752,940
Balances at December 31, 2020	1,998,553,181	589,120,804	1,131,344	(2,569,760,729)	19,044,600
Profit for the year	-	-	-	2,614,593,873	2,614,593,873
Other comprehensive income for the year	-	-	355,209	-	355,209
Total comprehensive income for the year	-	-	355,209	2,614,593,873	2,614,949,082
Balances at December 31, 2021	1,998,553,181	589,120,804	1,486,553	44,833,144	2,633,993,682

(The notes on pages 1 to 37 are integral part of these financial statements)

Metro Global Holdings Corporation
(formerly Fil-Estate Corporation)

Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
Cash flows from operating activities			
Net income before tax		2,609,621,935	3,817,210
Adjustment for:			
Unrealized foreign exchange (gain) loss		(37,677)	16,171
Amortization expense	8, 12	27,317	27,317
Impairment loss on investment in subsidiaries	7	668,966	42,969
Interest income	2,13	(3,569)	(3,750)
Dividend income	5,15	(2,606,190,497)	-
Share in net income of associates	6	(7,680,162)	(5,987,239)
Operating loss before working capital changes		(3,593,687)	(2,087,322)
Decrease (increase) in:			
Trade and other receivables		1,368,918	19,933,820
Other current assets		(442,415)	(511,713)
Due from related parties		(40,188)	(1,298,029)
Increase in:			
Accrued expense and other current liabilities		5,680,542	2,229,282
Cash from operations		2,973,170	18,266,038
Interest received	2	3,569	3,750
Cash paid for income taxes		(1,072,892)	(2,497,073)
Net cash from operating activities		1,903,847	15,772,715
Cash flows from investing activities			
Incorporation of a subsidiary	7	-	(625,001)
Cash flows from financing activities			
Advances from related parties	15	35,858,591	13,701,390
Settlement of amounts due to a stockholder	15	(37,822,513)	(28,538,085)
Net cash used in financing activities		(1,963,922)	(14,836,695)
Net (decrease) increase in cash		(60,075)	311,019
Cash at January 1		1,227,080	932,232
Effect of foreign exchange rate changes in cash		37,677	(16,171)
Cash at December 31		1,204,682	1,227,080

(The notes on pages 1 to 37 are integral part of these financial statements)

Metro Global Holdings Corporation
(formerly Fil-Estate Corporation)

Notes to the Separate Financial Statements
As at and for the years ended December 31, 2021 and 2020
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - Corporate information

1.1 Business information

Metro Global Holdings Corporation (the “Company”) was incorporated as San Jose Oil Company, Inc. on September 17, 1954 and was listed on the Philippine Stock Exchange (PSE) on May 4, 1964 as an oil exploration company and was reorganized in 1996 into a corporate vehicle that will pursue infrastructure-related investments and was renamed Fil-Estate Corporation. On September 9, 2004, the Philippines Securities and Exchange Commission (SEC) approved the extension of the Company’s corporate life for another 50 years or until 2054.

On May 30, 2014, the SEC approved the amendment of the Articles of Incorporation and By-Laws of the Company, changing its name from Fil-Estate Corporation to Metro Global Holdings Corporation. The amendments were intended to identify the group of companies under the "Metro Group" and establish the affiliation of the Company with its affiliate infrastructure companies, which likewise had the word "Metro" in their corporate names.

The trading of Company’s shares of stock at the PSE has been voluntarily suspended since March 20, 2007 to allow the Company to re-align its business and explore new strategic directions.

The Company’s immediate and ultimate parent company is Fil-Estate Management, Inc. (FEMI), a company organized and existing under the laws of the Philippines. The total shares outstanding are held by the following shareholders as at December 31:

	2021	2020
Fil-estate Management, Inc.	87.89%	87.89%
PCD Nominee Corporation	5.03%	5.03%
Alakor Securities Corporation	3.34%	3.34%
Bank of Commerce Trust Services Group	2.16%	2.16%
Others	1.58%	1.58%
	100.00%	100.00%

The Company’s registered office address, which is also its principal place of business, is at Mezzanine Floor, Renaissance Tower, Meralco Avenue, Pasig City. The Company has 9 employees in 2021 (2020 - 10 employees).

1.2 Expansion of the Company’s primary purpose

On November 22, 2018, the stockholders approved the amendment of the Articles of Incorporation to include in the primary purpose investment in business engaged in solar, wind, and other renewable energy generation facilities. The proposed amendment will allow the Company to expand its investment into a business engaged in renewable energy generation facilities, a growth area the Company intends to pursue.

On November 20, 2018, the Board authorized the Company to enter into a Memorandum of Agreement with FEMI whereby the Company shall purchase the 249,995 shares of common stock of Metro Solar Power Solutions Inc. (Metro Solar) held by FEMI. Metro Solar is a stock corporation registered with the SEC primarily to construct, erect, assemble, commission and maintain power-generating plants and related facilities for the conversion of renewable energy into usable form for electricity generation and distribution. Such shares issued by Metro Solar to FEMI represent 100% percent of the entire issued and outstanding capital stock of Metro Solar. As per agreement with FEMI, the consideration for Metro Solar shares will be determined based on an appraisal report by a third-party and mutually agreed by FEMI and the Parent Company. The shares that the Company will issue to FEMI in exchange for the Metro Solar shares will come from the proposed 3.0 billion planned increase in authorized capital stock of the Company, as discussed in detail in Note 10.

As of report date, the Company and FEMI are in the process of finalizing the details of the proposed sale and purchase of shares transaction contemplated by the parties.

1.3 Approval of financial statements

The accompanying financial statements of the Company were approved and authorized for issuance by the Company's Board of Directors (BOD) on May 10, 2022.

1.4 Impact of COVID-19 pandemic

On March 15, 2020, the Philippine Government placed the entire Luzon island under the Enhanced Community Quarantine (ECQ) due to the increasing coronavirus diseases (COVID-19) cases in the country. The ECQ mandated the closure of non-essential businesses and strict home quarantine which resulted in the slowdown of the economy. Measures are implemented to protect the health and safety of the employees, support business continuity, and manage financial impact to a minimum.

Financial position and results as at and for the year ended December 31, 2021

The pandemic has resulted in lower depot royalty income for the Company in 2021 mainly due to the lower rental income from TriNoma commercial center caused by the implemented quarantine restrictions during 2021 (Note 11). The Company expects that the depot royalty income will increase in the next financial year since the Philippine economy is gradually opening with the imposition of less stringent community quarantine protocols. Likewise, the vaccination program of the government is expected to slow down and eventually contain the spread of the virus and boost confidence among businesses and consumers

Management has assessed that the carrying amount of assets are recoverable as at reporting date. Management will continue to monitor the business developments amidst the pandemic and update the assessments made. Any medium to long-term impact of the pandemic on the Company's financial position, results, and cash flows will vary depending on the duration and severity of the economic and operational impacts of the pandemic, as well as the effectiveness of mass vaccination and other public health efforts to mitigate the impact of the pandemic.

Note 2 - Cash in banks

Cash in banks as at December 31, 2021 amounted to P1,204,682 (2020 - P1,227,080). These accounts generally earn interest at rates based on daily bank deposit rates. Interest income earned from cash in banks amounted to P3,569 in 2021 (2020 - P3,750) (Note 13).

Note 3 - Trade and other receivables; Due from related parties

Trade and other receivables as at December 31 consist of:

	2021	2020
Trade receivables - third party	7,493,300	8,863,008
Others	790	-
	7,494,090	8,863,008

Trade receivable pertains to the royalty income from depot developments in TriNoma and billed to North Triangle Depot Commercial Corporation (NTDCC) (Note 11). These are short-term, unguaranteed, unsecured, non-interest bearing and collectible in cash with usual credit terms of 60 days.

Due from related parties (non-current asset) as at December 31 consist of:

	Note	2021	2020
Due from related parties	15		
Monumento Rail Transit Corporation (Monumento Rail)		5,314,935	5,314,935
Metro Renewable Transport Solutions, Inc. (MRTSI)		1,338,217	1,298,029
Metro Rail Transit Holdings, Inc. (MRTHI)		117,362	117,361
Metro Rail Transit Holdings II, Inc. (MRTHII)		892,685,882	1,649,110
		899,456,396	8,379,435
Allowance for impairment		(5,314,935)	(5,314,935)
		894,141,461	3,064,500

There is no movement in allowance for impairment of due from related parties for the years ended December 31, 2021 and 2020.

Critical accounting estimates and judgment: Recoverability of trade and other receivables and due from related parties

Provision for impairment of trade and other receivables and due from related parties is calculated using expected credit losses (ECL). ECL are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Company has used relevant historical information and loss experience to determine the probability of default of trade receivables and incorporated forward-looking information based on certain macroeconomic factors such as gross domestic products and inflation rate. Any change in the Company's assessment of the collectability of receivables could impact the recorded carrying amounts of receivables and related allowance for impairment.

Further, management evaluates specific accounts under other receivables and due from related parties who are unable to meet their financial obligations. In these cases, management uses judgment based on the best available facts and circumstances, including but not limited to, the length of relationship with the debtor and the debtors' payment history. The net carrying amounts of other receivables and due from related parties at the end of the reporting period and the amount and timing of recorded expenses would therefore differ based on actual experience and changes in judgments made.

Note 4 - Other current assets

Other current assets as at December 31 consist of the following:

	2021	2020
Creditable withholding tax	311,446	-
Input VAT	161,056	113,025
	472,502	113,025

Creditable withholding tax is related to the depot royalty income from NTDCC (Note 11).

Note 5 - Financial assets at fair value through OCI

Financial assets at fair value through OCI as at December 31 consist of:

	2021	2020
Unquoted equity securities	3,058,238,916	1,490,792,040
Quoted equity securities	4,052,135	3,696,926
	3,062,291,051	1,494,488,966

5.1 Unquoted equity securities

Unquoted equity securities as at December 31, 2021 consist of investments in MRTHI and MRTHII. The Company's ownership interests in MRTHI and MRTHII as at December 31 are as follows:

Investee	Interest	Indirect Interest	Effective Interest	Nature of Business
MRTHI	18.6%	-	18.6%	Holding Company
MRTHII	12.6%	15.80%	28.4%	Holding Company

MRTHI owns 84.9% interest in MRTH II while MRTHII wholly owns Metro Rail Transit Corporation (MRTC), which was awarded by the Philippine Government, acting through the Department of Transportation and Communication (DOTC), the Build, Lease and Transfer (BLT) Agreement to build, lease, and transfer a 16.9-kilometer rail transit system in Metro Manila, known as LRTS Phase I. The earnings of MRTC are derived from lease financing income relating to equity rentals received from the DOTC as defined in the BLT Agreement.

Critical accounting estimates, assumptions, and judgment: Measurement of unquoted equity instruments - cost as an estimate of fair value

As required by PFRS 9, all equity investments in scope of PFRS 9 are to be measured at fair value in the statement of financial position, with value changes recognized either in profit or loss or other comprehensive income. PFRS 9 further provides that cost might be used as a measure of fair value where cost represents the best estimate of fair value. Upon the adoption of PFRS 9, the Company has assessed that the cost of investments in MRTHI and MRTHII amounting to P3,058,238,916 as at December 31, 2021 (2020 - P1,490,792,040) represents the best estimate of fair value of those investments.

The Company assesses whether the cost is the best estimate of fair value of investments in MRTHI and MRTHII. In making the assessment, the Company checks whether there are events or circumstances that might indicate that cost might not be representative of fair value of the investees, including significant change in the investees' performance and operations, as well significant change in the economic environment in which the investees operate. The Company also considers costs as the best measure of fair value where more recent available information is insufficient to determine fair value; or where there is a wide range of possible fair value measurements, and cost represents the best estimate of fair value within that range.

Any change in the Company's assessment of the best estimate of fair value of investments in MRTHI and MRTHII could impact the recorded carrying amount of financial assets at fair value through OCI and related fair value gains or losses recognized in other comprehensive income.

As at December 31, 2021, the Company has assessed that the cost of investments in MRTHI and MRTHII represents the best estimate of fair value of those investments. In addition, the Company has assessed that the carrying amount of the investments in MRTHI and MRTHII are recoverable in full and can be realized in the future through the Company's share in the benefits arising from the capacity expansion projects to be undertaken by MRTC. Notwithstanding the sale of future share distributions pursuant to "Sale of future share distributions" discussed in (a) below, the Company continues to hold on to the legal rights over the shares of stock in MRTHI and MRTHII. Further, the Company holds a put option to use the shares of stocks of MRTHI and MRTH II to pay-off its net advances from FEMI pursuant to the "Letter of Agreement" as discussed in (b) below.

The Company's unquoted financial assets, pertaining to investments in MRTHI and MRTHII, are under Level 3 fair value category. The cost of the investments represents the best estimate of the fair value of the investments as at reporting date. Therefore, the higher the cost of investments, the higher is the related fair value.

(a) Sale of future share distributions

In 2002, the Company and other participating shareholders of MRTHI and MRTHII (collectively referred to as the 'Sellers', entered into Sale Agreements where they sold all future share distributions arising from the equity rental payments (ERP) of the LRTS Phase I Project of MRTC in exchange for Original Issuance Discount Bonds (OID Bonds).

The transaction is covered by several agreements that provide the link between share distributions arising from the ERP of the LRTS Phase I Project of MRTC and payments to the Noteholders. These agreements: (a) facilitate the timely payment of the Sellers' share of the ERP of the LRTS Phase I Project of MRTC ensuring that the right to receive their share in the ERP has been legally independent of the Sellers to the Noteholders, (b) ensure the flow of rental payments independent of the Sellers, (c) bind the Sellers to cause the timely collection of rental payments and to cause MRTC to perform its obligations, and (d) prevent the Sellers from selling their rights in MRTC for as long as the Notes are outstanding. Accordingly, the stock certificates of the Company in MRTHI and MRTHII are under the custody of a trustee and were pledged to MRT III.

MRTC accounts for the lease payments from DOTC under finance lease where lease financing income is recognized using a constant periodic rate of return on the net investment. Future share distribution sold under the Agreements pertains to the Company's share in the ERPs of the LRTS Phase 1 Project of MRTC.

Notwithstanding the sale of future share distributions, the Company continues to hold on to the legal rights over the shares of stock in MRTHI and MRTHII in compliance with the various agreements related to the sale of share of future share distributions mentioned above, as well as the Company's obligation under the Agreement of MRTC with DOTC whereby the original shareholders of MRTHI and MRTHII are precluded from transferring their equity interest in MRTHI and MRTHII until the end of the BLT Agreement in July 2025. Accordingly, any additional variable ERP to be received by MRTHI and MRTHII through MRTC from DOTC in the future and any benefits arising from the residual rights in the expansion projects shall still accrue to the Company and the other shareholders.

(b) Letter of agreement

On August 18, 2005, the Company and FEMI entered into a "Letter of Agreement", whereby FEMI has agreed to grant the Company the sole option to assign to FEMI its equity interests in MRTHI and MRTHII as settlement of the Company's liabilities to FEMI, included in 'Due to a stockholder' account in the statements of financial position, and any additional advances or interest which FEMI may charge to the Company in relation to the said advances. Under the "Letter of Agreement," should the Company opt to sell the said investments to third party or parties in the future, FEMI has the right of first refusal to purchase the said investments at its prevailing market value.

(c) Dividend income

On December 13, 2021, MRTHII declared dividends to its shareholders, of which P2,606,190,497 pertains to the Company's share. The dividend income was recognized as part of other income in the statement of total comprehensive income for the year ended December 31, 2021. The dividends were discharged/settled as follows:
(1) P147,706,848 was offset and eliminated against the liability to MRTHII, representing outstanding cash advances received from MRTHII, presented under due to other related parties in the statement of financial position (Note 15);
(2) P1,567,446,876 was applied against liability from sale of future share distributions shown as a reduction of investment in MRTHII. Pursuant to the Sale of future share distributions agreement entered by the Company and other participating shareholders of MRTHI and MRTHII as described in (a) above, the Company recognized P1,567,446,876 liability from the sale of the future share distribution from the MRTC project as a reduction of investment in MRTHI and MRTHII. The total carrying amount of investment in MRTHI and MRTHII after the dividend transaction amounted to P3,058,238,916 as at December 31, 2021; and
(3) The remaining amount of P891,036,773 will be settled in cash and presented as dividend receivable under due from related parties (Note 15). The amount is not expected to be collected within 12 months from the end of the reporting period, thus presented as part of non-current asset in statement of financial position.

5.2 Quoted equity securities

Quoted equity securities consist of investments in domestic companies listed in the Philippine Stock Exchange and whose fair values are based on quoted market prices at the reporting date (Level 1 fair value hierarchy).

The movements of the account for the years ended December 31 are as follows:

	2021	2020
Acquisition cost	2,565,582	2,565,582
Cumulative change in fair value		
Beginning of the year	1,131,344	516,307
Change in the fair value during the year	355,209	615,037
End of the year	1,486,553	1,131,344
	4,052,135	3,696,926

The changes in fair value of quoted equity securities are presented as part of other comprehensive income in the statement of total comprehensive income.

Note 6 - Investment in associates

Investment in associates as at December 31 consists of:

	Country of incorporation	Ownership interest 2021	Ownership interest 2020	Main activity and registered place of business
MRT Development Corporation (MRTDC)	Philippines	15.79%	15.79%	Development of commercial premises in the depot and air space in the light rail transit system, its lease or sublease thereof, and the sale of development rights of stations. Registered address is at 2nd floor, The Renaissance Centre, Meralco Avenue, Pasig City
Monumento Rail Transit Corporation (Monumento Rail)	Philippines	28.47%	28.47%	Build, lease, and maintain a railway transit in Metro Manila, and to perform such other activities as may be necessary and desirable in the pursuit of the above-mentioned activities. As at December 31, 2021 and 2020, the Company has no commercial activity. Registered address is at 6th floor, The Belvedere Tower, San Miguel Avenue, Ortigas Center, Pasig City.

The carrying value of investment in associates as at December 31, 2021 consists of investment in MRTDC amounting to P13,667,401 (2020 - P5,987,239). As at December 31, 2021 and 2020, Monumento Rail has no commercial activity and its investment account is carried at nil.

The movement of investment in associates for the years ended December 31 are as follows:

	2021	2020
At January 1	5,987,239	-
Share in net income of MRTDC	7,680,162	5,987,239
At December 31	13,667,401	5,987,239

On December 20, 2018, the Company entered into a Deed of Assignment with Fil-Estate Properties, Inc. (FEPI) to acquire the 1,579 shares representing 15.79% equity ownership of FEPI in MRTDC for P1,894,000 consideration.

MRTDC has exclusive rights to all commercial developments along the MRT-3 System, including in and above the 13 Stations, commercial leasing rights in the 13 Stations, advertising rights, development of the air space above all the 13 stations, and all other commercial activities with the entire MRT-3 System.

There are no significant restrictions on the ability of MRTDC to transfer funds to the Company in the form of cash dividends or repayment of loans or advances.

The summarized financial information of a material associate, MRTDC, as at and for the years ended December 31 are as follows:

Statements of financial position

	2021	2020
Current assets	341,916,611	102,684,650
Non-current assets	14,215,243	190,973,104
Current liabilities	(112,064,376)	(255,739,838)
Non-current liabilities	(154,358,134)	-
Net assets	89,709,344	37,917,916

Statements of total comprehensive income

	2021	2020
Revenue	238,902,775	180,913,742
Net income	48,639,403	44,570,234
Other comprehensive income	-	-
Total comprehensive income	48,639,403	44,570,234
Dividends received from associate	-	-

The information above reflects the amounts presented in the financial statements of MRTDC whose accounting policies are consistent with the Company's accounting policies.

Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented, to the carrying amount of the Company's interest in associates, is as follows:

	2021	2020
Net assets	89,709,344	37,917,916
Equity interest	15.79%	15.79%
Share of net assets	14,165,105	5,987,239
Other equity adjustment	(497,704)	-
Carrying value, December 31	13,667,401	5,987,239

Critical accounting judgment: Recoverability of investment in associates

The carrying value of the investment in associates is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those management assessment and judgment could have a significant effect on the carrying value of investment in associates and the amount and timing of recorded provision for any period.

Based on management's assessment, there are no events or circumstances which might indicate that the carrying value of investment in associates as at December 31, 2021 and 2020 are not recoverable.

Note 7 - Investment in subsidiaries

Investments in subsidiaries as at December 31 consist of:

	Percentage of ownership			
	2021	2020	2021	2020
MGHC Royal Holdings Corporation (MGHC Royal)	99	99	612,738	612,738
Metro Renewable Transport Solutions, Inc. (MRTSI)	99	99	625,001	625,001
			1,237,739	1,237,739
Allowance for impairment			(795,906)	(126,940)
			441,833	1,110,799

The movement in allowance for impairment for the years ended December 31 are as follows:

	Note	2021	2020
At January 1		126,940	83,971
Impairment loss	13	668,966	42,969
At December 31		795,906	126,940

The Company's investments in subsidiaries are carried at cost less allowance for impairment. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Due to recurring losses of MGHC Royal, the Company recognized an impairment loss for its investment in MGHC Royal amounting to P43,966 for the year ended December 31, 2021 (2020 - P42,969). Impairment loss was also recognized for the Company's investments in MRTSI for the year ended December 31, 2021 amounting to P625,000 (2020 - nil) due to MRTSI's capital deficiency. The impairment loss is recognized under other income (expense), net in the statement of total comprehensive income. The recoverable amount of MGHC Royal and MRTSI was determined by reference to the fair value less cost of disposal. Since the measurement of recoverable amount of MGHC Royal and MRTSI involves use of significant unobservable input, the fair value was classified as a Level 3 fair value. The fair value less cost of disposal was determined using fair values of net assets of MGHC Royal and MRTSI, which consists mainly of financial assets. The disclosure of unobservable inputs and sensitivity analysis were not provided as management assesses that the amount of investment in subsidiaries and related impairment loss are immaterial.

MGHC Royal

On May 19, 2017, the Company incorporated MGHC Royal and contributed a total of P2,499,500 for 99% ownership interest. MGHC Royal was organized and established as a domestic corporation to engage in the business of investing, purchasing, or otherwise acquiring, and owning, holding, using, selling, assigning, transferring, pledging, exchanging, or otherwise disposing of real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities of obligation of any other corporation or corporations associations or associations, domestic or foreign, for whatever lawful purpose or purposes. MGHC Royal's registered office address and place of business is at Mezzanine Floor, Renaissance Tower, Meralco Avenue, Pasig City.

MRTSI

On October 23, 2020, the Company incorporated MRTSI and contributed a total of P2,500,000 for 99% ownership interest. MRTSI was organized and established as a domestic corporation to engage in infrastructure development or providing services in relation with and in connection thereto, including but not limited to the construction of whatever kind and nature and for whatever purpose, buildings, roads, bridges, railways, ports, highways and other passages and facilities for transportation and communication. Its registered office address and place of business is at Mezzanine Floor, Renaissance Towers, Meralco Avenue, Barangay Ugong, Pasig City 1604.

Note 8 - Intangible asset, net

Depot royalty rights

On August 22, 2006, the Board of Directors of Monumento Rail Transit Corporation (Monumento Rail) approved the redemption of its redeemable preferred shares through the assignment of its right to receive Depot Royalties to the holders of redeemable preferred shares pro-rata to their shareholdings. On December 17, 2014, Monumento Rail and the Company executed the Redemption and Deeds of Assignment of the latter's redeemable preferred shares, giving the Company a pro-rata interest on the Depot Royalty Rights to the extent of an aggregate of 28.47%, representing the preferred shareholdings held by the Company.

As a result of the redemption, the Company recognized a Depot royalty right intangible asset which represents the Company's right to a 28.47% share in the depot royalties with respect to improvements constructed on the 16-hectare Depot located at North Triangle EDSA and rental income from the commercial center known as TriNoma Mall. As successor-in-interest, the Company is entitled to receive 28.47% of royalties corresponding to 5% of the gross receipts of the rental income (Note 11) from 8.3 hectare commercial center and 5% of the gross proceeds of sale or leases on improvements constructed on the lot pads less management fees and general and administrative expenses.

The cost of depot royalty rights upon initial recognition amounted to P901,471 which is equivalent to the value of the Company's investment in the redeemable preferred shares of Monumento Rail consisting of 18,029,417 shares. The intangible asset was assigned with a useful life of 33 years commencing from 2014 up to 2047 or the expiration of development rights as provided for in the Redemption and Deed of Assignment.

The movements of Depot Royalty Rights for the years ended December 31 are as follows:

At January 1, 2020	
Cost	901,471
Accumulated amortization	(136,585)
Net carrying amount	764,886
For the year ended December 31, 2020	
Opening net carrying amount	764,886
Amortization	(27,317)
Closing net carrying amount	737,569
At December 31, 2020	
Cost	901,471
Accumulated amortization	(163,902)
Net carrying amount	737,569
For the year ended December 31, 2021	
Opening net carrying amount	737,569
Amortization	(27,317)
Closing net carrying amount	710,252
At December 31, 2021	
Cost	901,471
Accumulated amortization	(191,219)
Net carrying amount	710,252

Note 9 - Accrued expenses and other current liabilities

Accrued expenses and other liabilities as at December 31 consist of the following:

	2021	2020
Advances from MPIC	350,000,000	350,000,000
Accrued expenses	40,026,566	34,712,015
Payable to regulatory agencies	822,471	456,480
	390,849,037	385,168,495

A. Advances from MPIC

The amount pertains to deposit received from Metro Pacific Investment Corporation (MPIC) pursuant to the “Cooperation Agreement”, as described below, entered into by the Company and Fil-Estate Companies with MPIC.

Cooperation agreement

On November 12, 2010, the Company, Fil-Estate Properties, Inc. (FEPI) and FEMI (collectively termed as the ‘Fil-Estate Companies’) entered into a Cooperation Agreement with Metro Pacific Investment Corporation (MPIC) relating to the Fil-Estate Companies’ rights and interests in the MRT Companies. The cooperation has the following objectives: (i) explore solutions that will enable the expansion of the MRT-3 system through financially and legally viable means, and (ii) to transfer the interests of the Fil-Estate Companies in the MRT Companies, subject to obtaining the necessary consents from the relevant parties. Under the Cooperation Agreement, the Fil-Estate Companies shall appoint MPIC as its attorney-in-fact in connection with the exercise of the rights and interests of the Fil-Estate Companies in the MRT Companies. The completion and consummation of the transaction contemplated by the parties is subject to certain conditions, which as at December 31, 2021 has not yet occurred.

As the Company does not have an unconditional right to defer settlement of the amount for at least 12 months from reporting date, the amount was classified as current liability as at December 31, 2021 and 2020.

B. Accrued expenses

The account consists mainly of accrual for payroll and professional fees, including legal, consulting and audit fees, and other general and administrative expenses. The average credit period on purchases of goods and services from suppliers is 30 to 60 days.

Note 10 - Equity

Share capital

The details of share capital as at December 31, 2021 and 2020 are as follows:

Authorized share capital	2,000,000,000
Subscribed share capital	2,000,000,000
Less: Subscription receivable	(1,446,819)
Issued and subscribed share capital	1,998,553,181
Par value per share	1
Amount of share capital	1,998,553,181

Track record of registration of securities

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
January 22, 1998	300,000,000	299,850,000	1.00
December 11, 2000	1,700,000,000	700,000,000	1.00
December 16, 2013	-	800,000,000	1.00
September 4, 2014	-	200,150,000	1.00
	2,000,000,000	2,000,000,000	

a. On January 22, 1998, the SEC approved the declassification of Class A and B common shares to a single class of common shares, and the change in par value of 300.0 million authorized common shares from P0.01 per share to P1.00 per share. Each share of stock entitles the person in whose name it is registered in the books of the Company to one vote, provided the shares have not been declared delinquent.

b. On December 11, 2000, the SEC approved the increase in authorized capital stock from P300.0 million, divided into 30.0 billion shares with a par value P0.01 per share, to P2.0 billion divided into 2.0 billion shares with a par value P1.00 per share.

   Fil-Estate Management, Inc. (FEMI) subscribed to 700.0 million shares in exchange for the assignment of its interests in the MRTHI and Metro Rail Transit Corp. Limited with an aggregate carrying value of P1.3 billion. As a result, share capital of P700.0 million with a par value of P1.00 per share was recognized, with the excess credited to additional paid-in capital.

c. On December 16, 2013, the SEC approved the conversion of a portion of the Company's liabilities to FEMI amounting to P800.0 million into equity shares totaling 800.0 million shares at P1.00 par value.

d. On September 4, 2014, the SEC approved the conversion of a portion of the Company's liabilities to FEMI amounting to P200.15 million into equity shares totaling 200.15 million shares at P1.00 par value. The conversion resulted in FEMI owning 87.89% shareholding of the Company.

Planned increase in authorized capital stock

On September 24, 2018, the BOD approved the Company's plan to increase its authorized capital stock from 2.0 billion shares at P1.00 per share to 5.0 billion shares at P1.00 per share. FEMI agrees to subscribe to 25% of the planned increase in capitalization, or 750.0 million shares at P1.00 per share. Out of the said subscription, P500.0 million corresponding to 500.0 million common shares at P1.00 per share will be fully paid through the conversion into equity of a portion of FEMI advances to the Company. As at report date, the Company is awaiting the approval of the SEC for the planned increase in authorized capital stock.

Note 11 - Depot royalty income

Depot royalty income for the year ended December 31, 2021 amounting to P7,887,684 (2020 - P9,329,483) represents the Company's 28.47% share of 5% of the gross receipts of the rental income from TriNoma commercial center owned and operated by NTDCC. The amount of royalty income is recognized over time as NTDCC earns rental income from the commercial center.

Note 12 - General and administrative expenses

This account consists of the following:

	Note	2021	2020
Salaries and wages		20,327,228	5,398,091
Transportation and travel		5,394,230	1,686,226
13th month pay		1,698,532	455,232
Professional and retainer's fee		1,619,236	1,287,322
Taxes and licenses		946,012	1,183,608
Directors' fees		554,035	410,936
Fees and permits		379,390	-
Legal		371,748	598,684
Amortization expense	8	27,317	27,317
Telephone, telegraphic, and postage		12,161	530
Others		547,248	316,068
		31,877,137	11,364,014

Salaries and wages include compensation paid to executive officers seconded by the Company from FEMI who joined the Company starting September-October 2020.

Others include advertising and promotions, trainings, registration fees, bank charges, office supplies, food expense and utilities.

Note 13 - Other income (expense), net

Other income (expense), net for the years ended December 31 consists of the following:

	Notes	2021	2020
Exclusivity fee		20,000,000	-
Gain (loss) on foreign exchange		406,126	(96,279)
Interest income	2	3,569	3,750
Impairment loss on investment in subsidiary	7	(668,966)	(42,969)
		19,740,729	(135,498)

Foreign exchange gain (loss) relates to the translation and transactions in respect of the Company's USD-denominated cash account.

Exclusivity fee

On February 8, 2021, the Company entered into an exclusivity agreement with a third party for a prospective infrastructure-related investment. A non-refundable exclusivity fee to undertake due diligence for a period of ninety (90) days, amounting to P20,000,000 was collected by the Company. On July 5, 2021, the Company and the third party agreed to no longer proceed with the proposed transaction. As a result, the Company no longer have rights or obligations in relation to the exclusivity agreement, and the exclusivity fee was recognized as income in full in the statement of total comprehensive income.

Note 14 - Income taxes

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, the President of the Republic of the Philippines signed into law Republic Act No. 11534 or the CREATE) Act, which is the reconciled version of the Bicameral Conference Committee. It settled the disagreeing provisions of House Bill No. 4157 and Senate Bill No. 1357. The CREATE Act was previously known as the Corporate Income Tax and Incentives Reform Act (CITIRA) bill. The law became effective on April 11, 2021.

Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

1. Reduction in CIT rate effective July 1, 2020 for domestic corporations are as follows:
   a. Those with assets amounting to P100,000,000 and below, and with taxable income equivalent to P5,000,000 and below will be subjected to a 20% tax rate; and
   b. Those with assets above P100,000,000 or those with taxable income amounting to more than P5,000,000 will be subjected to a 25% tax rate.
2. Effective July 1, 2020 until June 30, 2023, the minimum corporate income tax rate shall be 1%.

Under CREATE, the Company prepared its annual income tax return for the year ended December 31, 2021 using the updated rate of 25% (2020 - pro-rated rate reckoned from July 1, 2020 of 27.5%).

For financial reporting purposes, the enactment of CREATE after the December 31, 2020 was deemed a non-adjusting subsequent event in the December 31, 2020 separate financial statements. Hence, effect of changes in the tax rates applied is reflected in the income tax reconciliation for the year ended December 31, 2021.

Income tax (benefit) expense

The components of income tax (benefit) expense as shown in the total comprehensive income for the years ended December 31 are as follows:

	2021	2020
Current	(5,237,684)	1,679,307
Deferred	265,746	-
	(4,971,938)	1,679,307

The Company used regular current income for purposes of the income tax calculation for the taxable year 2021 and Optional Standard Deduction (OSD) for taxable year 2020.

Deferred income tax (DIT)

Details of DIT assets as at December 31 are as follows:

	2021	2020
Allowance for impairment of other receivables	1,328,734	1,594,480
MCIT	82,938	-
	1,411,672	1,594,480

For the year ended December 31, 2021, the Company recognized the effect of the reduction of the tax rate from 30% to 25% amounting to P265,746 for its DIT asset on allowance for impairment of other receivables. DIT asset on minimum corporate income tax (MCIT) for the taxable year 2021 amounting to P82,938 was calculated at 1% and will expire on December 31, 2024.

During the year ended December 31, 2021, the Company's net operating loss carry-over (NOLCO) amounted to P1,062,032 (2020 - nil). This was calculated at 25% of its taxable loss for the year ended December 31, 2021 and shall be allowed as a deduction from the Company's taxable income until the taxable year 2026. The Company did not recognize deferred income tax assets arising from the net operating loss carry-over (NOLCO) as it was assessed to be immaterial.

Reconciliation of pre-tax income to tax expense

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax (benefit) expense follows:

	2021	2020
Income tax at statutory income tax rate of 25% (2020 - 30%)	652,405,484	1,145,163
Adjustments for:		
Non-deductible expenses	1,041	799
Interest income subjected to final tax	(892)	(1,125)
Share in net income of investment in associate	(1,920,041)	(1,796,172)
Non-taxable income	(651,547,624)	-
Unrecognized NOLCO	1,062,032	-
Impact of OSD	-	2,330,642
Change in effective tax rate	125,804	-
Adjustment for current tax of prior periods	(5,097,742)	-
	(4,971,938)	1,679,307

Critical accounting judgment: Income taxes

Significant judgment is required in determining the income tax expense recognized in profit or loss. There are some transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Company recognizes liabilities for anticipated tax assessment issues when it is probable. The liabilities are based on assessment and judgment of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Company's income tax and related liability in the period in which such determination is made.

The recognition of DIT assets depends on management's assessment of the probability and available future taxable income against which the temporary difference can be applied. The Company reviews the carrying amount of its DIT assets at the end of each reporting period and reduces the amounts to the extent it is no longer probable that sufficient taxable profit will allow all or part of its DIT assets to be utilized. Management has assessed during the reporting periods that the Company will be able to generate sufficient future taxable income against which the temporary differences can be applied, except for NOLCO which is unrecognized.

Note 15 - Related party transactions and balances

Transactions and balances with related parties are presented as follows:

	Transactions		Balances		
	2021	2020	2021	2020	Ref
Due from related parties - non- current (Note 3)					
Reimbursement of expenses					(a)
MRTSI - subsidiary	40,188	1,298,029	1,338,217	1,298,029	
MRTHI - investee	-	-	117,361	117,361	
MRTHII - investee	-	-	1,649,110	1,649,110	
Dividend receivable					
MRTHII - investee	891,036,773	-	891,036,773	-	(b)
	891,076,961	1,298,029	894,141,461	3,064,500	
Due to a stockholder					
Payments on behalf					
FEMI	37,822,513	28,538,085	(707,010,807)	(744,833,320)	(c)
Due to other related parties					
Advances					
MGHC Royal - subsidiary	15,040	23,938	(370,881)	(385,921)	(d)
MRTHI - investee	-	(8,198,827)	(221,939,234)	(221,939,234)	(e)
MRTHII - investee	(27,978,631)	-	-	(119,728,217)	(f)
MRTDC - associate	(7,895,000)	(5,526,501)	(27,671,303)	(19,776,303)	(g)
Dividend settlement (non-cash)					
MRTHI - investee	147,706,848	-	-	-	(b)
	111,848,257	(13,701,390)	(249,981,418)	(361,829,675)	

(a) Due from related parties- non-current

Receivables from MRTSI, MRTHI and MRTHII represent expenses paid by the Company on their behalf. Amounts are unsecured, non-interest bearing, and collectible in cash upon demand, but not expected to be collected within 12 months from the end of the reporting period.

(b) Dividend from MRTHII

During the year ended December 31, 2021, MRTHII declared dividends to the Company amounting to P2,606,190,497. Details of its settlement are set out in Note 5.1 (c). Dividend receivables are collectible in are unsecured, non-interest bearing, and collectible in cash upon demand, but is not expected to be collected within 12 months from the end of the reporting period.

(c) Due to a stockholder

Due to a stockholder is unsecured, non-interest, and arose mainly from FEMI's payment of the Company's bank loans, including interests and penalties, aggregating to P3.0 billion, and the cost of acquisition of shares of MRTHII amounting to P180.0 million. Over the years, the amount of liability was reduced mainly through repayments and conversion of FEMI advances into equity. Repayments amounting to P37,822,513 was made during the year ended December 31, 2021 (2020 - P28,538,085). No conversions to equity was made during the year ended December 31, 2021 and 2020.

On November 2, 2018, the Company entered into a Repayment Agreement with FEMI for the repayment of advances to the latter. To enable the Company to make its repayments to the extent of P300.0 million, the Company assigns to FEMI for a period of fifteen (15) years commencing on January 30, 2020 and ending on January 30, 2034, its receipts from depot royalty income. On April 11, 2019, the BOD of the Company passed a resolution approving the Company's agreement with FEMI that in consideration of FEMI not charging interest on the outstanding obligations of the Company, the Company agreed to partially repay the advances from FEMI by way of allocating to FEMI dividends and other income from affiliates of the Company in addition to the assignment of depot royalties.

FEMI, in its letter of support to the Company, committed not to demand payment of the amount due from the Company for a period of at least twelve (12) months from reporting date or until such time that the Company has the ability to pay in accordance with the Repayment Agreement above. As the Company has the unconditional right to defer settlement of the advances for at least 12 months from reporting date, the amount was classified as non-current liability as at December 31, 2021 and 2020.

(d) Advances from MGHC Royal

Outstanding amounts payable to MGHC Royal arose from advances to Company for settlement of outstanding obligations. Amounts are unsecured, non-interest bearing, and are to be offset against the Company's share of future dividends of MGHC Royal, which are not expected to be declared within 12 months from reporting date, thus, the amount was classified as non-current liability as at December 31, 2021 and 2020.

(e) Advances from MRTHI

Outstanding amounts payable to MRTHI arose from advances to Company for settlement of outstanding obligations. Amounts are unsecured, non-interest bearing, and are to be offset against the Company's share of future dividends of MRTHI, which are not expected to be declared within 12 months from reporting date, thus, the amount was classified as non-current liability as at December 31, 2021 and 2020.

(f) Advances from MRTHII

Amounts payable to MRTHII arose from advances to Company for settlement of outstanding obligations. During the year ended December 31, 2021, MRTHII declared dividends to the Company. As a result, the outstanding liability was fully eliminated as set out in the details of settlement or discharge in Note 5.1 (c).

(g) Advances from MRTDC

Outstanding amounts payable to MRTDC arose from advances to Company for settlement of outstanding obligations. Amounts are unsecured, non-interest bearing, and are to be offset against the Company's share of future dividends of MRTDC, which are not expected to be declared within 12 months from reporting date, thus, the amount was classified as non-current liability as at December 31, 2021 and 2020.

Material related party transactions policy

The Company has an approved material related party transactions policy that sets forth the required thresholds for approval for related party transactions as part of the Company's corporate governance policy.

Note 16 - Earnings per share

The following table presents basic and diluted earnings per share (EPS) for the years ended December 31:

	2021	2020
Consolidated net income of MGHC and subsidiaries	2,615,181,561	885,818
Divided by weighted average number of shares outstanding	1,998,553,181	1,998,553,181
Basic and diluted EPS	1.3085	0.0004

The Company has no potential dilutive ordinary shares for the years ended December 31, 2021 and 2020. Therefore, the amounts reported for basic and diluted earnings per share are the same.

Note 17 - Segment reporting

Operating segments, and the amounts of each segment item reported in the separate financial statements, are identified from the financial information provided regularly to the Company's management for the purposes of allocating resources to, and assessing the performance of, the Company.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services and the type or class of customers. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Company's management assesses the performance and allocates the resources of the Company as a whole, as all of the Company's activities are considered to be primarily holding infrastructure-related investments. Therefore, management considers there is only one operating segment under the requirements of PFRS 8, Operating Segments. In this regard, no segment information is presented.

No geographic information is shown as the revenue and profit from operations of the Company are presently solely derived from its activities in the Philippines.

Note 18 - Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are enumerated below:

(a) Critical accounting estimates and assumptions

- Recoverability of trade and other receivables and due from related parties (Notes 3 and 15)
- Measurement of unquoted equity instruments - cost as an estimate of fair value (Note 5)

(b) Critical accounting judgments

- Recoverability of trade and other receivables and due from related parties (Notes 3 and 15)
- Measurement of unquoted equity instruments - cost as an estimate of fair value (Note 5)
- Recoverability of investment in associates (Note 6)
- Income taxes (Note 14)

Note 19 - Financial risk management objectives and policies

19.1 Components of financial assets and financial liabilities

Financial assets

Details of the Company's financial assets as at December 31 are as follows:

	Notes	2021	2020
At amortized cost			
Cash in banks	2	1,204,682	1,227,080
Trade and other receivables	3	7,493,300	8,863,008
Due from related parties	3	899,456,396	8,379,435
		908,154,378	18,469,523
At FVOCI			
Unquoted equity securities	5	3,058,238,916	1,490,792,040
Quoted equity securities	5	4,052,135	3,696,926
		3,062,291,051	1,494,488,966
		3,970,445,429	1,512,958,489

Trade and other receivables exclude other receivables which are subject to liquidation. Due from related parties are presented gross of allowance for impairment. Allowance for impairment as at December 31, 2021 and 2020 amounted to P5,314,935.

Financial liabilities

Details of the Company's financial liabilities, at amortized cost, at December 31 are as follows:

	Notes	2021	2020
Advances from MPIC	9	350,000,000	350,000,000
Accrued expenses	9	40,026,566	34,712,015
Due to a stockholder	15	707,010,807	744,833,320
Due to other related parties	15	249,981,418	361,829,675
		1,347,018,791	1,491,375,010

Other current liabilities excluded pertain to payables to government agencies that are non-financial liabilities.

19.2 Financial risk factor

The Company's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation and management of some degree of risk or combination of risks. The Company's overall risk management program focuses on the unpredictability of financial markets, aims to achieve an appropriate balance between risk and return and seeks to minimize potential adverse effects on the Company's financial performance.

The most important types of risk the Company's manages are liquidity risk and credit risk.

19.2.1 Liquidity risk

Liquidity risk arises from the possibility that the Company will encounter difficulty in raising funds to meet associated commitments with financial instruments.

The Company manages the liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies. Short-term advances from related parties are availed to cover for immediate expenses and maturing obligations. The Company is also able to defer payments of some of its due to related party balances.

The Company continues to obtain support from FEMI to finance the Company's operations.

The table below presents the Company's financial liabilities as at December 31:

	Within 12 Months	More than 12 months	Total
2021			
Advances from MPIC	350,000,000	-	350,000,000
Accrued expenses	40,026,566	-	40,026,566
Due to a stockholder	-	707,010,807	707,010,807
Due to related parties	-	249,981,418	249,981,418
	390,026,566	956,992,225	1,347,018,791
2020			
Advances from MPIC	350,000,000	-	350,000,000
Accrued expenses	34,712,015	-	34,712,015
Due to a stockholder	-	744,833,320	744,833,320
Due to related parties	-	361,829,675	361,829,675
	384,712,015	1,106,662,995	1,491,375,010

The Company expects to settle the above financial obligations due within 12 months in accordance with their contractual maturity of 30 to 60 days.

19.2.2 Credit risk

Credit risk refers to the risk that a counterparty will cause a financial loss to the Company by failing to discharge an obligation. Significant changes in the economy that may represent a concentration in the Company's business, could result in losses that are different from those provided for at reporting date.

Credit risk arises from cash deposits with banks and financial institutions, as well as credit exposure on receivable from customers, related parties and other counterparties. The fair values of these financial assets approximate net carrying amounts due to their short-term maturities.

The Company has a significant concentration of credit risk on its transactions with NTDCC, its sole customer. However, this is brought down to an acceptable level since depot royalties are collected in accordance with the agreement and the Company's credit policy with no reported defaults and write-offs in previous years. In addition, credit risk is minimized by monitoring receivables regularly.

The Company has the following financial assets as at December 31 where the expected credit loss model has been applied:

	Gross carrying amount	Allowance provided	Net carrying amount	Internal credit rating	Basis of recognition of ECL
2021					
Cash in banks	1,204,682	-	1,204,682	Performing	12-month ECL
Trade and other receivables					
Group 1	7,493,300	-	7,493,300	Collective assessment	Lifetime ECL
Due from related parties					
Group 2	894,141,461	-	894,141,461	Performing	12-month ECL
Group 3	5,314,935	(5,314,935)	-	Credit impaired	Lifetime ECL
	908,154,378	(5,314,935)	902,839,443		
2020					
Cash in banks	1,227,080	-	1,227,080	Performing	12-month ECL
Trade and other receivables					
Group 1	8,863,008	-	8,863,008	Collective assessment	Lifetime ECL
Due from related parties					
Group 2	3,064,500	-	3,064,500	Performing	12-month ECL
Group 3	5,314,935	(5,314,935)	-	Credit impaired	Lifetime ECL
	18,469,523	(5,314,935)	13,154,588		

Credit quality of customers are classified as follows:

- Group 1 - Customer and counterparty balances without history of default and assessed to be fully recoverable.
- Group 2 - Customer and counterparty balances with some defaults in the past. Amounts are largely collectible after collection efforts.
- Group 3 - Individually assessed customer with defaults and which the Company no longer expects to recover the balance despite its collection efforts.

The maximum exposure to credit risk at the reporting date is the carrying value of financial assets summarized above.

None of the fully performing financial assets have been renegotiated during the years ended December 31, 2021 and 2020. The Company does not hold any collateral as security to the above financial assets.

Credit quality of the Company's financial assets

Cash in banks

To minimize credit risk exposure from its cash account, the Company deposits its cash in universal banks that have good credit ratings. Accordingly, the Company's cash in bank is subject to insignificant expected credit loss as at reporting dates.

Receivables

Group 1 - The Company's receivables under Company 1 consists of amounts due from NTDCC have no history of recent default or write-off and are considered to be fully performing. Accordingly, no provision for impairment is required.

Group 2 - Past due but not impaired receivables consist of amounts due from related parties, who, despite delays in collection based on the credit term, are deemed to be fully collectible based on management's assessment and counterparties' financial capacity and creditworthiness. Accordingly, no provision for impairment is required at reporting date.

Group 3 - The Company records a provision for impairment of receivables that are assessed to have a significant probability of becoming uncollectible. The assessment is based on the Company's knowledge of the collectability of the account, nature of dispute and the creditworthiness of the customer.

19.2.3 Foreign currency exchange risk

Foreign currency exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Company's functional currency.

The Company has transactional currency gain. Such exposure is not material to the Company as this arises mainly from immaterial cash balances denominated in US Dollar.

19.3 Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern, while maximizing the return on investments of stockholders. The Company monitors its use of capital by comparing deficit to total capitalization and makes adjustments to it in light of changes in economic conditions and its financial position.

The Company considers its long-term debt from FEMI and other related parties, as well as total equity consisting of share capital, additional paid-in capital, and deficit, as its capital:

	Notes	2021	2020
Equity			
Share capital	10	1,998,553,181	1,998,553,181
Additional paid-in capital	10	589,120,804	589,120,804
Retained earnings (deficit)		44,833,144	(2,569,760,729)
		2,632,507,129	17,913,256
Debt			
Due to a stockholder	15	707,010,807	744,833,320
Due to related parties	15	249,981,418	361,829,675
		956,992,225	1,106,662,995
		3,589,499,354	1,124,576,251

Note 20 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

20.1 Basis of preparation

The separate financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These separate financial statements have been prepared under the historical cost convention except for financial assets at FVOCI.

The preparation of separate financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 18.

The Company has also prepared consolidated financial statements in accordance with PFRS. In the consolidated financial statements, undertakings of Metro Global Holdings Corporation and its subsidiaries have been fully consolidated. The consolidated financial statements can be obtained from the Company's business address in Meralco Ave., Pasig City or from the SEC.

Users of these separate financial statements should read these together with the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

20.2 Changes in accounting policies and disclosures

There are no new standards, amendments and interpretations which are effective for the financial year beginning on or after January 1, 2021 that are relevant to and have a material impact on the Company's financial statements.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing the separate financial statements. None of these standards are expected to be relevant on the separate financial statements of the Company, except for the following:

- PAS 1: Classification of Liabilities as Current or Non-current

  The narrow-scope amendments clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

  The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company does not expect the amendments to have a significant impact on the Company's separate financial statements.

- PAS 1 and PFRS Practice Statement 2: Disclosure of Accounting Policies

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company does not expect the amendments to have a significant impact on the Company's separate financial statements.

- PAS 8: Definition of Accounting Estimates

  The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company does not expect the amendments to have a significant impact on the Company's separate financial statements.

- PAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

  The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

  - right-of-use assets and lease liabilities, and
  - decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. Changes in accounting policy and disclosures

  The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate. PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company does not expect the amendments to have a significant impact on the Company's separate financial statements.

20.3 Financial assets

<u>Classification</u>

The Company classifies its financial assets in the following measurement categories: (a) those to be measured subsequently at fair value (either through OCI or through profit or loss), and (b) those to be measured at amortized cost. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company holds financial assets at fair value through OCI (Note 5).

Financial assets at amortized cost are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. The Company's financial assets at amortized cost category includes cash in banks (Note 2), trade and other receivables (Note 3), and due from related parties (Notes 3 and 15).

The Company classifies the following investments as financial assets at FVTPL:

- investments in equity securities unless irrevocably elected at initial recognition to be measured at fair value through OCI;
- investments in debt instruments held within a business model whose objective is to sell prior to maturity or has contractual terms that does not give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI)on the principal amount outstanding, unless designated as effective hedging instruments under a cash flow hedge;
- investments that contain embedded derivatives; and
- investments in debt instruments designated as financial assets at FVTPL at initial recognition.

The Company's did not hold financial assets at FVTPL.

Recognition and subsequent measurement

The Company recognizes a financial asset in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequently, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost.
Interest income from these financial assets is recognized using the effective interest rate method.

Changes in the fair value of financial assets at FVOCI are recognized in other comprehensive income.

The Company assesses whether the cost is the best estimate of fair value of financial assets at FVOCI. In making the assessment, the Company checks whether there are events or circumstances that might indicate that cost might not be representative of fair value of the financial assets, including significant change in the investees' performance and operations, as well significant change in the economic environment in which the investees operate. The Company also considers costs as the best measure of fair value where more recent available information is insufficient to determine fair value; or where there is a wide range of possible fair value measurements, and cost represents the best estimate of fair value within that range.

Impairment

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment losses are presented separately in the statement of total comprehensive income.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECL: these are ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Company applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL. The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as gross domestic product and inflation rate affecting the ability of the customers to settle the receivables.

General approach

Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as a default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in the statement of total comprehensive income and presented in other gains/(losses).

20.4 Financial liabilities

Classification

The Company classifies its financial liabilities as: (i) financial liabilities at fair value through profit or loss, and (ii) other financial liabilities measured at amortized cost. Financial liabilities under category (i) comprise of two sub-categories: financial liabilities classified as held for trading and financial liabilities designated by the Company as at fair value through profit or loss upon initial recognition. Management determines the classification of its financial liabilities at initial recognition.

The Company did not hold financial liabilities under category (i) during and at the end of each reporting period.

Other financial liabilities at amortized cost are contractual obligations which are either those to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company. These are included in current liabilities, except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

The Company's other financial liabilities at amortized cost consist of accrued expenses and other current liabilities (excluding withholding tax payable and payable to government agencies) (Note 9), due to a stockholder (Note 15), and due to other related parties (Note 15).

Recognition and measurement

The Company recognizes a financial liability in the statement of financial position when, and only when, the Company becomes a party to the contractual provision of the instrument.

Other financial liabilities at amortized cost are initially measured at fair value plus transaction costs. Subsequently, these are measured at amortized cost using the effective interest rate method.

Derecognition

Other financial liabilities at amortized cost are derecognized when the obligation is paid, settled, discharged, cancelled or has expired.

20.5 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. 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. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. The Company's quoted financial assets at FVOCI are under this category.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3. The Company's unquoted financial assets, pertaining to investments in MRTHI and MRTHII, are under Level 3 fair value category. The cost of the investments represents the best estimate of the fair value of the investments as at reporting date (Note 5).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying amounts of financial instruments presented as part of current assets and current liabilities as at December 31, 2021 and 2020 approximate their fair values due to their short-term maturities.

The fair values of due to a stockholder and due to other related parties amounted to P626,594,392 (2020 - P665,576,140) and P221,219,479 (2020 - P322,982,783), determined using discounted cash flow approach by applying current market interest rates of 3.51% (2020 - 2.49%) (Level 2), based on the expected settlement of the amounts by the end of the BLT Agreement in July 2025.

The Company has no other financial assets and liabilities measured at fair value during and at the end of each reporting date.

Non-financial assets

For non-financial assets, the Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The fair value of a non-financial asset is measured based on its highest and best use. The carrying value of the Company's non-financial assets, substantially property and equipment, approximate its fair value in the light of the assets' current use is presumed to be its highest and best use.

20.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty. The Company does not have financial assets and liabilities that are covered by enforceable master netting arrangements and other similar agreements.

20.7 Cash

Cash includes deposits held at call with banks. These are carried in the statement of financial position at nominal amount which approximates fair value. Cash in banks earn interest at the prevailing bank deposit rates.

20.8 Trade and other receivables

Trade receivables arising from depot royalties with an average credit term of 60 days are recognized at transaction price and subsequently measured at amortized cost using effective interest method less any provision for impairment.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method, less any provision for impairment.

Trade receivables and its related provision for impairment are written off when the Company has determined that the receivable is uncollectible as they have already exerted all collection efforts, including filing a legal case. Bad debts written off are specifically identified after exhausting all collection efforts (i.e. sending demand letters and legal notice of default to customers) and are approved by the BOD.

Write-offs represent either direct charge against profit or loss at the time the receivable deemed uncollectible or the release of previously recorded provision from the allowance account and credited to the related receivable account following the Company's assessment that the related receivable will no longer be collected after all collection efforts have been exhausted.

Subsequent recoveries of amounts previously written-off are credited in profit or loss under general and administrative expenses. Reversals of previously recorded impairment provision are recognized in profit or loss based on the result of management's update assessments, considering available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivable at reporting date.

20.9 Other current assets

Other current assets consist of input value-added tax (VAT) and creditable withholding taxes. These are stated at face value less provision for impairment, if any. Provision for unrecoverable input VAT and creditable withholding taxes, if any, is maintained by the Company at a level considered adequate to provide for potentially unutilizable or uncollectible portion of the claim. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within general and administrative expenses.

Input VAT and creditable withholding taxes are derecognized when there is a legally enforceable right to apply the recognized amounts against the related liability within the period prescribed by the relevant tax laws.

Amounts are included in current assets, except when the related assets are expected to be realized more than twelve (12) months after the reporting period which are classified in non-current assets.

20.10 Investment in associate

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights (Note 6).

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. It is also decreased by dividends received from the investee. The Company's investment in associates includes goodwill identified on acquisition. Any excess of the Company's share of the net fair value of the associates identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Company's share of the associate's profit or loss in the period in which the investment is acquired.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Dilution gains and losses arising in investments in associates are recognized in profit or loss. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

20.11 Investment in subsidiaries

A subsidiary is an entity which is controlled by the Company. The control means that the Company can govern the financial and operating policies of its subsidiaries to gain benefits from the operations of subsidiary. The Company controls an investee if and only if the Company has all the following:

(a) power over the investee;
(b) exposure, or rights, to variable returns from its involvement with the investee; and
(c) the ability to use its power over the investee to affect the amount of the investor's returns.

Investment in subsidiaries are accounted for using the cost method. Under this method, investments are recognized at cost and income from investment is recognized in profit or loss only to the extent that the investor receives distribution from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as reduction of the cost of the investment.

Investment in subsidiary is derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company determines at each reporting date whether there are impairment indicators relating to investment in the subsidiaries. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognizes any impairment loss in profit or loss.

Investments in subsidiaries are carried at cost, less any provision for impairment.

20.12 Intangible assets

Intangible assets acquired separately are carried at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the remaining useful economic life at the date of acquisition or business combination. These are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at the end of each reporting date.

The Company's intangible asset, pertaining to depot royalty rights, was assigned with a useful life of 33 years commencing from 2014 up to 2047 or the expiration of the development rights (Note 8).

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

20.13 Impairment of non-financial assets

Non-financial assets that have definite useful lives are subject to depreciation or amortization and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Value in use requires the Company to make estimates of future cash flows to be derived from the particular asset and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset.

Impairment losses, if any, are recognized in profit or loss within other expenses in the statement of total comprehensive income. Non-financial assets that have been impaired are reviewed for possible reversal of the impairment at each reporting period. When impairment loss subsequently reverses, the carrying amount of the assets or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss has been recognized for the asset or cash-generating unit in prior years. Reversals of previously recorded impairment provisions are credited against provision account in profit and loss.

20.14 Accrued expense and other current liabilities

Accrued expense and other current liabilities are obligations to pay for related money received, goods or services that have been acquired in the ordinary course of business from purchase of goods or service.

Accrued expense and other current liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established or when the corresponding assets or expenses are recognized. These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

The transfer, assumption, or assignment of financial liabilities to or from other parties for no consideration requires recognition of gains or losses, charged to other income or expense in the statement of total comprehensive income.

20.15 Provisions and contingencies

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized in profit or loss.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized in the statement of financial position.

Provisions are derecognized when the related legal or contractual obligation is discharged, cancelled or expired.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

20.16 Revenue recognition

Revenue is measured based on the transaction price specified in a contract with the customer. The Company recognizes revenue when it transfers control over a product or service to a customer.

The following is a description of principal activities from which the Company generates its revenue.

Depot royalty income

The amount of royalty income is recognized over time as NTDCC earns rental income from the TriNoma commercial center. The use of a time-based approach (output method) best provides a faithful depiction of the transfer of services to the customer given the nature of the royalty arrangement.

Dividend income

Dividend income is recognized at the point in time when investees have declared dividends.

Other income

Other income is recognized when earned.

Interest

Revenue is recognized on a time-proportion basis using the effective interest method.

20.17 Cost and expense recognition

Costs and expenses are recognized in the statement of total comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the statement of total comprehensive income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when expenditure produces no future economic benefits or when, and to the extent
- that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Costs and expenses in the statement of total comprehensive income are presented using the function of expense method.

20.18 Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Retirement benefits

The Company has yet to adopt a formal retirement plan for the benefit of its qualified employees. Under RA No. 7641, in the absence of a retirement plan or agreement providing for retirement benefits of employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least 5 years in a private company, may retire and shall be entitled to retirement pay equivalent to at least one-half month salary plus one twelfth of the 13th month pay and cash equivalent of not more than 5 days of service incentive leaves for every year of service (or 100% of monthly salary), a fraction of at least 6 months being considered as one whole year.

The liability recognized in the statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in Philippine Peso, the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement obligation.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in profit or loss.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognizes termination benefits when it is demonstrably committed to either:
(a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

20.19 Foreign currency transactions and translations

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Philippine pesos, which is the Company’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of total comprehensive income.

20.20 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

20.21 Current and deferred income tax

Income tax expense recognized in profit or loss during the period comprises of current and deferred income tax (DIT), except to the extent that it relates to items recognized in other comprehensive income.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

DIT is recognized on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. DIT is determined using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related DIT asset is realized or the deferred income tax liability is settled.

DIT assets are the amounts of income taxes recoverable in future periods in respect of all deductible temporary differences. DIT assets are recognized to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized. DIT liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

20.22 Earnings per share

Basic EPS is computed by dividing net income attributable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, if any.

Diluted EPS is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted, would decrease the basic EPS, then such convertible preferred shares would be deemed dilutive. Where the effect of the assumed conversion of the preferred shares have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

20.23 Equity

Capital stock is determined using the par value of shares that have been issued.

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

Retained earnings (deficit) include all current and prior period results as disclosed in the statement of income.

20.24 Subsequent events

Subsequent events that provide additional information about the Company's position at the financial reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes to financial statements when material.

Note 21 - Supplementary information required by the Bureau of Internal Revenue (BIR)

The following information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

On December 28, 2010, Revenue Regulation (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by Philippine Financial Reporting Standards.

Below is the additional information required by RR No. 15-2010.

(i) Output value-added tax (VAT)

Output VAT declared for the year ended December 31, 2021 and the revenues upon which the same was based consist of:

	Tax base	VAT
Vatable sales	9,329,483	1,119,538

The gross amount of revenues as shown above is based on gross receipts of the Company while the revenues shown in the statement of total comprehensive income is recognized and measured in accordance with the Company's accounting policy on revenue recognition (Note 20.16).

(ii) Input VAT

Movements in input VAT for the period ended December 31, 2021 are as follows:

	Amount
Beginning balance	113,025
Add: Current period's domestic purchases/payments for:	
Goods other than Capital Goods	11,250
Domestic purchase of services	179,413
Total input VAT for the year	303,688
Application against output VAT	(142,632)
Total input VAT	161,056

(iii) Importations

There were no importation transactions made for the year ended December 31, 2021.

(iv) Documentary stamp taxes

There were no documentary stamp taxes paid for the year ended December 31, 2021.

(v) All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2021 consist of:

Business permit, clearance and licenses	934,937
Annual listing fee	500
Others	10,575
	946,012

The above local and national taxes are lodged under taxes and licenses account in general and administrative expenses (Note 12).

(vi) Withholding taxes

Withholding taxes accrued and paid as at and for the period ended December 31, 2021 follow:

	Paid	Accrued	Total
Withholding tax on compensation	4,731,248	771,651	5,502,899
Expanded withholding tax	43,775	13,860	57,635
	4,775,023	785,511	5,560,534

Withholding taxes payables above are presented as part of accrued expenses and other current liabilities in the statement of financial position (Note 9).

(vii) Tax assessments

The Company has not received any Final Assessment Notice from the BIR for the year ended December 31, 2021.

(viii) Tax cases

The Company does not have outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside of the BIR as at December 31, 2021.