



Helen Quiamno <helen.quiamno@mrcallied.com>

ICTD_MRC Allied Inc. SEC Form 17-A_14Apr2023

2 messages

Helen Quiamno <helen.quiamno@mrcallied.com>
To: ictdsubmission@sec.gov.ph

Mon, Apr 17, 2023 at 8:27 AM

Gentlemen,

We are pleased to submit the copy of MRC Allied, Inc. SEC Form 17-A Annual Report with attachment for Y2022.

Thank you.

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Helen Q. Chico
Compliance Officer
MRC ALLIED INC.
4th Floor Spirit of Communication Center
106 C. Palanca St. Legaspi Village., Makati City
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2 attachments **MRC17A-Annual Report2022_041423 with attachment.pdf**
4071K **MRCFS_Parent_20230414_final.pdf**
10341K

ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
To: helen.quiamno@mrcallied.com

Mon, Apr 17, 2023 at 8:28 AM

Thank you for reaching out to ictdsubmission@sec.gov.ph. Your submission is subject for Verification and Review of the Quality of the Attached Document only for **Secondary Reports**. Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 7 working days via order from receipt through the SEC Express System at <https://secexpress.ph/>. Or you may call 8737-8888 for further clarifications.

NOTICE

Please be informed that selected reports should be filed through **ELECTRONIC FILING AND SUBMISSION TOOL (EFAST)**. <https://cifss-ost.sec.gov.ph/user/login>

such as: **AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)**

Further, pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in **PORTABLE DOCUMENT FORMAT**

(PDF) Secondary Reports such as:

17-A, 17-C, 17-L, 17-Q, ICASR, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT, through email at

ictdsubmission@sec.gov.ph

FOR **MC28**, please go to SEC website:

<https://apps010.sec.gov.ph>

For your information and guidance.

Thank you and keep safe.

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. Street City/Town/Province)

Bernard B. Rabanzo

(Contact Person)

8846-7910

(Company Telephone Number)

1	2
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3	1
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Month Day

1	7	-	A	
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(Form Type)

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Month Day

(Fiscal Year)

(Secondary License Type, If Applicable)

(Annual Meeting)

SEC

Dept. Requiring this Doc.

I & VII

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

25M

Domestic

NA

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

LCU

[illegible]

Document ID

Cashier

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended December 31, 2022.
2. SEC Identification Number 184228
3. BIR Tax Identification No. 490-000-275-291
4. Exact name of issuer as specified in its charter MRC ALLIED, INC.
5. Makati City, Philippines
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. 4/F Spirit of Comm. Ctr., 106 C. Palanca St., Legapi Village, Makati City
Address of principal office 1229
Postal Code
8. +632 846-7910/09178082991/09087380854
Issuer's telephone number, including area code
9. 5F Eurovilla 4 Bldg., 853 A. Arnaiz Avenue, Makati City 1223
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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...Common Shares	8,512,658,975
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11. Are any or all of these securities listed on a Stock Exchange.

Yes [x] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange **Common Shares**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No []

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

Yes [x] No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

The information required by this item is contained in Annex 1 of this Report

Documents Incorporated by Reference

Audited Financial Statements for the period Ended December 31, 2022
Sustainability Report 2022

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

MRC Allied, Inc. (MRC) or (“the Parent Company”) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 20, 1990. Its shares are publicly traded in the Philippine Stock Exchange (PSE). The Parent Company and its subsidiaries are primarily engaged in the business of a holding company, and for that purpose either in the name of the Company or in the name of any other company.

Formerly operating as Makilala Rubber Corporation, the Parent Company’s activities had been primarily the processing and export of baled natural rubber. In 1993, new stockholder acquired the Company from Philtread Tire & Rubber Corporation and diversified it into real property development, more particularly, into township development.

On October 25, 1994, the Securities & Exchange Commission approved the change of name of Makilala Rubber Corporation to MRC Allied Industries, Inc. In 1995, MRC listed its entire 500 million shares in the Philippine Stock Exchange with an initial public offering share price of three pesos (P3.00) per share. In 1997, MRC decided to divest its rubber business to Makrubber Corporation, its wholly owned subsidiary, to focus on its core business, real property development. Makrubber stopped its operations in 2000 because of the worsening raw material supply due to the Land Reform Program and the peace and order problems in North Cotabato.

Since 2000, MRC has had minimal operations and simply continued and maintained its two eco-friendly projects: the New Cebu Township One (NCTO) of Naga, Cebu; and Amihan Woodlands Township (AWT) of Northern Leyte.

On July 21, 2008, the stockholder approved the amendments to MRC Allied Industries, Inc.’s existing Articles of Incorporation in line with the rationalization and quasi-reorganization of the Company, as follows:

- (i) Change in the corporate name from “MRC Allied Industries, Inc.” to “MRC Allied, Inc.”
- (ii) Decrease in the par value of MRC’s common shares from P1.00 per share to P0.20 per share, with the corresponding decrease in its authorized capital stock from P500 million divided into 500 million common shares with a par value of P1.00 per share to P100 million divided into 500 million common shares with a par value of P0.20 per share;
- (iii) Increase in its authorized capital stock of up to, or not exceeding P9.50 billion or 47.5 billion shares at a par value of P0.20 per share;
- (iv) Debt to equity conversion, wherein an issuance of shares from the increase of up to, or not exceeding P750 million or 37.5 billion shares out of such increase in the authorized capital stock.

The rationale behind the capital restructuring and proposed modification of the Parent Company’s issued and outstanding common shares is to reduce its outstanding deficit. On the other hand, the proposed increase in MRC’s authorized capital stock will give way to additional capital infusion by potential investors.

On 8 August 2008, the Board of Directors elected the officers of MRC Allied and its various committees namely the Audit, Nominations and Compensations Committees. During the same meeting, the Board approved the partial implementation of the increase in its authorized capital stock by P2.9 billion divided into 14.5 billion shares with par value of P0.20 per share, thus increasing its authorized capital stock from P100 million divided into 500 million shares to P3.0 billion divided into 15 billion shares with par value of P0.20 per share.

On 23 September 2008, Pacific Asia Capital Corporation (PACC) now Menlo Capital Corporation (MCC) and MRC entered into a Deed of Assignment wherein the following resolutions were made: (i) assumptions of liabilities by PACC of P328.50 million from various creditors of MRC; (ii) MRC agreed for the settlement or extinguishment by PACC of its loans from various creditors; (iii) PACC and MRC agreed to extinguish the debt by converting it into common shares out of MRC’s increased authorized capital stock of P3.0 billion; (iv) PACC shall subscribe to P725 million covering the 25% minimum subscription for the partial increase of MRC’s authorized capital stock of P2.9 billion or 3.625 billion shares out of the 14.5 billion shares increase with par value of P0.20 per share; (v) PACC shall assign, convey, transfer and consider as extinguished MRC’s debt in the amount of P328.50 million as partial payment for 1.642 billion shares. As a result of this agreement, PACC shall have 3.625 billion shares, or 87.88% of the outstanding capital stock of MRC, thus effectively acquiring control over MRC.

The above resolutions were subsequently approved by the Philippine Securities and Exchange Commission (SEC) on March 25, 2010.

On February 28, 2013, the stockholders approved a debt-to-equity conversion of up to P1.0 billion of previously contracted debt at P0.20 a share and the reduction in par value of shares from P0.20 to P0.10 to implement a quasi-reorganization by offsetting the resulting additional paid-in capital against the Company's deficit to improve the Company's financial position. The Company still has to file the necessary documents for the debt-to-equity conversion and the quasi-reorganization with the SEC.

On November 8, 2013, Securities & Exchange Commission approved the (1) debt-to-equity conversion payable to a stockholder amounting to P877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of 0.20 per share and, (2) the Company's equity restructuring. The equity restructuring reduced the par value of shares from 0.20 to 0.10 and the resulting additional paid-in capital of P851.3 million was applied against the Company's deficit. As at December 31, 2013, the company has a positive equity of P755.4 million from a capital deficiency of P99.4 million as at December 31, 2012.

On January 14, 2014, the SEC approved the Company's further equity restructuring by applying additional paid-in capital of P106.4 million to deficit.

On September 18, 2020 in the annual stockholders meeting of the company via video conferencing through Zoom, one the following matters were approved, confirmed, and ratified by the stockholders present during the said meeting:

The approval of the amendments of the primary purpose from real estate business to a holding company and the amendment of the secondary purpose for the additional provisions of its Articles of Incorporation.

On November 24, 2020, the company received the approval of the Securities and Exchange Commission for the amendments on its Article II of the Articles of Incorporation the change in primary purpose from real estate business to a holding company and the implementation for the additional provision in the secondary purpose.

On May 7, 2021, the Parent Company's Board of Directors (BOD) approved the amendment to the Articles of Incorporation (AOI) to change the Parent Company's principal business address to 4th Floor Spirit of Communication Centre 106 Carlos Palanca St., Legaspi Village, Makati City.

The Parent Company is 50.8% owned by Menlo Capital Corporation (MCC or Ultimate Parent), a company incorporated and domiciled in the Philippines and is engaged in the business of investment house. On May 19, 2021, the Parent Company has obtained the approval of the PSE for the additional listing of 4,387,658,975 shares owned by MCC with listing date of August 13, 2021. However, these shares were subjected to a mandatory lock up period of 180 days from the date of listing. Starting February 10, 2022, these shares are eligible for trading in the PSE following the expiration of the 180-day lock up period on February 9, 2022.

On September 13, 2022, the BOD approved another amendment to the AOI to increase the par value of Parent Company shares from ₱0.10 a share to ₱1.00 a share. As at the date of the approval and issuance of these consolidated financial statements, the Parent Company has not yet submitted the application for the amended AOI with the SEC.

As at December 31, 2022 and 2021, the total number of Company shares owned by the public represent 49.1% and 48.4% of the total issued shares and outstanding, respectively.

As at December 31, 2022 and 2021, the Company's subsidiaries which were incorporated in the Philippines are as follows:

	Date of Incorporation	Nature of Business	% of Ownership
Menlo Renewable Energy Corporation (MREN)	2015	Renewable Energy	100
MRC Tampakan Mining Corporation (MRC Tampakan)	2011	Mining	100
MRC Surigao Mines, Inc. (MRC Surigao)	2011	Mining	100

Makrubber Corporation (Makrubber)	1990	Processing and export of natural rubber products	100
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Makrubber ceased commercial operations in 2011.

MRC Tampakan and MRC Surigao have not started commercial operations. MREN has a capitalization of P35.0 million, while MRC Surigao and MRC Tampakan have a capitalization of P5.0 million each.

The Company's latest principal and business address is at 4th Floor, Spirit of Communications Center, 106 Carlos Palanca Street., Legaspi Village, Makati City.

Business/Projects

At present, the principal asset of the Company consists of two land banks. The first is a 160 hectare industrial estate in Naga City, Cebu and the second consists of 700 hectare of raw land in San Isidro Municipality, Leyte. Located thirty five (35) kilometers away from the Mactan International Airport, the industrial estate in Naga City, known as the New Cebu Township One (NCTO), is registered with the Philippine Economic Zone Authority as a special economic zone.

Also classified as a special economic zone, the Leyte Property, known as the Amihan Woodlands Township (AWT), was originally planned as an eco-tourism project, considering the more than 10 km coastline that rises to forested mountains. No major development of the property, however, has been undertaken. The Company was negatively affected by the Asian Crisis of 1997 and essentially maintained minimal operation since then.

The abundant mineral deposits and recent government pronouncements prompted MRC to pursue the opportunity for a shift in business strategy. Global trends in metal prices and the preference for gold as the stable reserve definitely add value to mining resources available worldwide. Key acquisitions by MRC over the last years to support this strategy:

- On November 8, 2010, MRC entered into a Mines Operating Agreement with Alberto Mining ("AMC") for gold and copper covering a parcel of land with an area of 7,955.70 hectares located at Kiblawan, Davao del Sur and Columbio, Sultan Kudarat.
- On January 7, 2011, MRC Allied Inc. entered into a Mines Operating Agreement with AMC, also for gold and copper covering a parcel of land with an area 3,718.41 hectares located at the Municipality of Marihatag, Province of Surigao del Sur. This is located in the well-known gold-belt region in southern Philippines.
- On February 4, 2011, MRC entered into a Mines Operating Agreement with Pensons Mining Corporation (an affiliate of Alberto Mines) for copper and gold deposits covering a land area of 8,475 hectares in Paquibato in Mindanao.
- On March 28, 2011, MRC entered into a Mines Operating Agreement for gold and copper covering a parcel of land with an area of 9,720 hectares located at the Municipalities of Boston and Cateel, Davao Oriental ("Boston-Cateel Mines"). The Agreement involves the mining rights owned by Alberto Mining Corporation, a domestic corporation based in Davao City.
- On August 25, 2011, MRC entered into a Mines Operating Agreement for gold and copper covering a parcel of land with an area of 2,059.27 hectares located at San Miguel & Marihatag, Surigao del Sur ("Surigao Mines" additional)
- On November 16, 2011, Pursuant to the Memorandum of Agreement signed with Upper San Miguel Manobo Sectoral Tribe Council, MRC or wholly owned entity will develop a gold processing facility in the Municipality of San Miguel.

As at December 31, 2022 and 2021, the Group has the following business ventures in renewable energy:

- Solar Power Plant

The Parent Company has a 15% ownership in Sulu Electric Power and Light (Philippines) Inc. [SEPALCO] which owns and operates a 50-megawatt solar project located in Palo, Leyte for P255.3 million. The power generated from this project is currently being sold to Wholesale Electricity Spot Market (WESM).

- Solar Photovoltaic (PV) System Project

The Group, through MREN, operates a 550 kilowatt-power (kWp) solar PV rooftop systems for a rice milling plant in Northern Luzon. Revenues generated from this project amounted to P2.3 million in 2022, P2.5 million in 2021 and P1.6 million in 2020.

In line with the Group's direction to focus on renewable energy projects, the Parent Company's BOD approved to sell its exploration and evaluation assets with a carrying value of ₱231.7 million on February 17, 2022. Subsequently, on March 10, 2022, the Parent Company entered into a Memorandum of Agreement with a third party to sell these exploration and evaluation assets for ₱750.0 million. Under the agreement, the contracting parties shall execute a Deed of Assignment to transfer the rights of the exploration and evaluation assets to the buyer. As at December 31, 2022, the contracting parties have not yet finalized the Deed of Assignment.

To further diversify its investment portfolio, the Group has started exploring business ventures in technology and digital solutions, and Information and Communication Technology (ICT), in order to leverage on the country's aggressive digital transformation programs.

On February 27, 2023, the Parent Company entered into a Memorandum of Agreement with MCC to purchase 500,000,000 shares of stock, at ₱1.00 par value a share, of Philippine Telegraph and Telephone Corporation (PT&T) held by MCC, equivalent to 33% ownership. Under the agreement, the contracting parties should close the sale within sixty (60) days from the date of the agreement ("Closing Period").

Significant provisions in the agreement also include:

- a. Finalize the terms of reference which details the purchase price, schedule of payments and other material terms and conditions of the sale within thirty (30) days from the date of the agreement; and
- b. Execute a definitive agreement based on the terms of reference within the Closing Period.

As at the date of the approval and issuance of the consolidated financial statements, the Parent Company and MCC are still in the process of finalizing the terms of the sale.

In 2021, the Group re-affirmed its plan to issue 1,428,571,428 shares, at ₱0.10 par value a share or equivalent to ₱142.9 million, at the issue price of ₱0.70 a share or equivalent to ₱1,000.0 million, through a private placement. On March 8, 2023, the SEC approved the amendment on the use of proceeds of this private placement to also cover investment acquisitions in ICT which includes the purchase of PT&T shares. As at the date of the approval and issuance of the consolidated financial statements, the Group is in the process of negotiating the terms of the subscriptions with the potential investors.

In the meantime, the Group stockholders have continued to provide financial support to sustain Group operations and to meet its maturing obligations. Due to a related party has aggregated ₱291.3 million and ₱273.1 million as at December 31, 2022 and 2021, respectively.

The ability of the Group to continue as a going concern depends largely on the successful implementation and outcome of the foregoing business development plans, and the continuing financial support of the Group stockholders.

Major Risks Related to the Business

- The Company's profits are subject to price volatility and competition.
- The Company has had minimal operating activities and incurred losses in its recent past.
- The Company's business is subject to operational risks and the Company is not insured against all potential losses.
- Competition in the industries in which the Company is engaged in is intense.
- Additional capital may be needed for operations in the future. If the Company is unable to raise the needed financing, its operations may be adversely affected
- Inflationary pressures especially on fuel and equipment costs could adversely affect the Company's operating costs

To mitigate these risks, the Company is undertaking all cost-effective and cost-efficient means to support its operations, and to prevent incurring further losses.

Furthermore, the Company created a committee that handles risk management. This unit is tasked to review, study and propose concrete ways to manage, if not, mitigate risks relating to the business of the Company.

Advances to Related Parties

The Company, in the normal course of business, has transactions with its related parties. The following summarizes the related party transactions of the Company and its outstanding balances as at and for the years ended December 31, 2022 and 2021:

Stockholder

- a. The Company provides noninterest-bearing cash advances for working capital requirements to a stockholder. These have aggregated P19.3 million and P19.00 million as of December 31, 2022 and 2021, respectively, and are due and collectible on demand.
- b. The Company obtains noninterest cash advances from MCC for its working capital requirements. These have aggregated P291.26 million and P273.14 million as of December 31, 2021 and 2020, respectively, and are due and payable on demand.
- c. Noninterest-bearing cash advances made to officers aggregated P54,052 as of December 31, 2022 and 2021.

Patents and Trademarks

MRC's operations are not dependents on patents, trademarks, copyrights and the like.

Cost and Effects of Existing/Probable Regulations

On September 30, 1996, the President of the Philippines issued Proclamation No. 889 designating MRC as an ecozone developer/operator of **New Cebu Township Ecozone** pursuant to Republic Act No 7916 and its implementing Rules and Regulations. On February 3, 1997, the President of the Philippines issued Proclamation No. 955 amending Proclamation No. 889, to increase area covered from 366,643 sq. m. to 1,228,261 sq. m. The President of the Philippines issued Proclamation No. 247 on February 24, 2000 proclaiming **Amihan Woodlands Township** as a Special Economic Zone pursuant to Republic Act No. 7916 as amended by Republic Act No. 8748.

Research and Development

In the last (10) eight years, MRC has not undertaken any significant research and development activities.

Government Approval of Principal Products or Services

The mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company will lead to the issuance of the clearance for the approval of the application of EP.

Solar Energy Service Contract

MREN entered into a Solar Energy Service Contract with the DOE for the exclusive right to explore, develop and utilize the Solar Energy Resources within the contracted area in Naga City, Cebu. The contract is in predevelopment stage which is a non-extended period of two years from December 23, 2015. Upon the issuance of a Certificate of Commerciality by the DOE, the service contract shall remain for a period of 25 years from the effective date.

MREN, among others, has to secure any necessary permits and clearances from all relevant government entities for the project. It also has to perform exploration, assessment, field verification, harnessing, piloting and other activities and provide technology and financing in connection with the predevelopment stage.

The government's share shall be equal to one percent (1%) of the gross income from the sale of electricity generated from Solar Energy Operation.

On January 15, 2018, the Company requested for a 180-day extension period from Department of Energy to complete the predevelopment activities and declare commerciality of the solar project.

In 2018, the DENR ordered the suspension of development activities within the solar project's area because of supervening events affecting the condition and feasibility of the area. As a result, the Company had to surrender its service contract with the DOE. The DOE is re-evaluating the project's technical feasibility and design and the result is still pending.

Cost and Effects of Compliance with Environmental Laws

MRC has already obtained the following environmental compliance certificates: ECC to develop and operate NCTO and to construct an administration building; and ECC for the developments of high-end residential, airstrip, and marina for AWT. Likewise, the Company had entered into a joint monitoring activity with respective local government units for NCTO and AWT to monitor environment compliance.

MRC has complied with all environmental regulatory requirements as evidenced by the permit secured from DENR. There is no material costs involved.

Competition

So far, there are five known competitors in the area, namely: Mactan Economic Zone 1 and 2, Cebu Light & Industrial Park, West Cebu Industrial Park and Danao (Mitsumi) Special Economic Zone. NCTO's unique setting, abundant water supply with much lesser rate, more stable power supply and hundreds of fiber-optic cabled high-speed voice and data telephone lines. These make NCTO a competitor to reckon with.

The MRC Tampakan project has the Sagittarius Mines, Inc. (SMI) as competitor. The Tampakan deposit is one of the largest underdeveloped copper-gold deposits in the world, and has the potential to be the largest mine in the Philippines, and the fifth largest copper mine in the world by 2016.

Customers

The Company has a wide market base due to the fact that its initial areas of operations are principally in the Central and Southern Philippines. **MRC's** township projects are strategically located in non-congested areas, near centers of educated and highly productive work force and ample sources of water and power.

Employees

As of the date of this report, the manpower complement of MRC consists of Fifteen (15) personnel. These employees are not covered by a collective bargaining agreement.

There is nothing to disclose as of the date of this report regarding any supplemental benefits or incentive arrangements that MRC has or will have with its employees.

Item 2. Properties

Described below are the properties in which the Company has investments:

- a. **The New Cebu Township One (NCTO) Ecozone** – NCTO represents MRC's first major property undertaking. The township, as a master-planned by renowned Jurong Town Corporation, is envisioned to become a wholly integrated community which will contain a light industry, processing zone, residential, commercial and recreational areas. Another prominent strength of the project is well-planned provision of water and power utilities. Locators are assured of their water supply from deep wells and impounded water reservoir. The power requirements of the zone will be tapped from the Leyte and Negros Oriental geothermal plants which are the part of the Visayas power grid of the National Power Corporation.

The township project, located in the Municipality of Naga, Cebu consists of 250 hectare; 123 hectares of phase one of the NCTO while 114 hectares or more are being consolidated which will later constitute phase two of the development. Phase two will be developed mainly as an expansion of Cebu Techno Park, and low to medium end residential housing for employees in the township.

Certain portions of the property are subject of a preliminary attachment arising from the San Gabriel Case. (Please refer to discussion under the item "Legal Proceedings")

- b. Amihan Woodlands Township (AWT)** - Located in San, Isidro, Leyte with a lot area of 732 hectares, AWT was originally planned as an eco-residential/tourism project with Ecozone status.

The open spaces and woodlands consist of the natural forest, mangrove swamps, beaches and marine preserves which will be protected sanctuaries and which will serve as the centerpoint of the property development. The residential areas for locators are divided into three districts. There will be high-end luxury residential which will offer single-detached villas and mid-rise condominium and town-houses for transients and permanent residents and low-cost housing areas for employees of different establishments operating within the Township.

The large mixed-use areas will contain commercial, recreational and residential zones. It will allow locators and investors to establish resort facilities, hotels, and condominiums, and world class golf courses.

The industrial park will permit light industrial activities and other parallel uses. This will also be the site of the port operation facilities of the seaport and the airport. The remaining areas are reserved for infrastructure facilities and utilities which include an airport, seaport/marina, a lake/water reservoir, and road network.

Due to its present financial condition, no major development of the property has been undertaken.

In January 2020, the DAR issued a press release on the distribution of 2,200 hectares of agricultural land in San Isidro, Leyte which includes the land owned by the Company, to qualified agrarian reform beneficiaries under the CARP. As of the date of approval and issuance of these separate financial statements, the Company has not received a formal notice from the DAR or other government agencies regarding the planned distribution.

c. Other Properties

On November 8, 2010, MRC entered into a Mines Operating Agreement with Alberto Mining ("AMC") for gold and copper covering a parcel of land with an area of 7,955.70 hectares located at Kiblawan, Davao del Sur and Columbio, Sultan Kudarat. This property is adjacent (on the northeastern boundary) to Tampakan, currently established as the 5th largest gold-copper deposit in the world and potentially the largest in Asia. The MRC Tampakan property is not covered by the ban on open-pit mining. Tampakan is covered by the open-pit ban since its southern area is in South Cotabato where open-pit mining is prohibited. MRC Tampakan Mines, Inc. will be established as the operating subsidiary.

The Company recently acquired a property located in Barangay Castillo, San Miguel, Surigao del Sur with a total area of 38,634 square meters where the proposed gold processing plant will be constructed.

The above mining sites have an ongoing application for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB). MGB informed the Company that its application is already in the final stage and it is set to issue memorandum advice containing the result of their evaluation of the applications. The memorandum advice and the compliance by the Company will lead to the issuance of the clearance for the approval of the application of EP.

The Company also currently leases its office space located at 4th Floor, Spirits of Communications Centre, 106 Carlos Palanca Street, Legaspi Village, Makati City. The office space has a total area of 224 square meters. The term of the lease was for one (1) year starting October 12, 2020 to September 30, 2021, renewable upon mutual agreement by the parties. The rent is Php 100,800.00 per month exclusive of twelve percent (12%) value-added taxes,

Item 3. Legal Proceedings

Sps. Japson, Sps. Vivares, MRC Allied Inc, et al. vs. Salubre
Civil Case No. CEB-224928
Regional Trial Court Branch 23, Cebu City

The Company is involved as a co-plaintiff in Civil Case No. CEB-224982, entitled Sps. Japson, Sps. Vivares and MRC Allied Industries, Inc. vs. Salubre in the latter's capacity as Provincial Treasurer for the Province of Cebu City, Branch 23. The complaint sought to stop the auction sale of the real properties of MRC scheduled on November 26, 2008 at Naga, Cebu, allegedly for nonpayment of real property tax. The Regional Trial Court did not issue a temporary restraining order, but the case is still pending. The auction did not push through, and no notice of auction sale has been sent to the Company as of this date.

The case is in the Pre-Trial Stage and has been referred to mandatory mediation proceedings before the Philippine Mediation Unit. The parties have already initially discussed on how the case can be settled amicably but no formal agreement for the purposes has been finalized.

On October 25, 2018, the Court issued its Resolution of the pending matters, in which granted the Plaintiff's Motion for Leave of Court to File an Amendment Complaint and admitted the attached Amended Complaint therein, but denied Plaintiff's application for Temporary Restraining Order. The next setting for Pre-Trial is set on February 22, 2019 at 8:30am. The case was reset. Tentative date for hearing is on June 2019.

The last setting of pre-trial was December 2019 but it was reset to March 2020. Due to the pandemic of covid-19, the company does not receive any letter from the Court for the scheduled Pre-Trial.

The last setting of hearing was done last December 2021 for presentation of witness via virtual means. The next hearing is scheduled on May 19, 2022.

On February 13, 2023 the company file a manifestation with motion to mark exhibit. On March 23, 2023 the defense scheduled to present witness.

The next schedule hearing is on June 15, 2023 at 10:00am.

MRC ALLIED INC. VS. KINSEKI CRYSTAL DEVICE LTD. KYOCERA CRYSTAL DEVICE PHILIPPINES INC. All other persons claiming rights under Kinseki Ltd. Case No. R83

Nature of the case: Ejectment (Unlawful detainer)
Court: Municipal Trial Court in Cities, Naga City, Cebu
Acting Judge: Hon. Fritz Ritchie Avila

Facts:

Plaintiff is the owner of a portion of land in New Cebu Township One Special Ecozone, Barangay Cantao-an, Naga City, Cebu.

The Defendant Kinseki and Plaintiff entered a Lease Contract dated December 1, 1996 over the 35,000 sqm portion of the above-mentioned property.

That sometime December 2014, Plaintiff came to know that Defendant Kinseki have allowed another entity, Kyocera Crystal Devices Philippines, Inc., to occupy its leased premises without the required express consent of the plaintiff, in violation of one of the express provisions in the contract of lease.

Status:

Motion to Disallow Deposition

Defendant Kyocera was given 10 days to file comment on the motion. On the other hand, Plaintiff was given 5 days from receipt of respondent's comment to file reply. To date, no comment yet has been filed by the Defendant Kyocera.

Motion for Reconsideration on the Order dated June 6, 2016. Defendant Kyocera was given 10 days to file comment on the Motion for Reconsideration. On the other hand, Plaintiff was given 5 days from receipt of respondent's comment to file reply.

On August 10, 2017, Atty. Perez, Counsel for Defendant Kyocera withdrew his appearance. On September 22, 2017, ACCRA Law entered their appearance for Defendant Kyocera. On January 23, 2018, MRC Filed a Motion to Set Case for Continuation of Pre-Trial. The Court issued an Order, dated May 17, 2018, granting the Motion to Set Case for Continuation of Pre-trial Hearing, and setting the Continuation of Pre-trial on August 22, 2018. On May 21, 2017, the Court also issued an Order for Pre-trial. On August 16, 2018, just a few days before the scheduled Pre-Trial Hearing, Defendant Kyocera through counsel, filed a Motion for Leave to Amend Answer and Pre-Trial Brief. On August 22, 2018, the date of the hearing, the Court gave Plaintiff MRC time to file Comment/Opposition to Defendant Kyocera's, and for both parties to file their reply, rejoinder, and sur-rejoinders, after which the motion shall be deemed submitted for resolution. MRC Filed its Comment / Opposition on September 5, 2018. On September 26, 2018, ACCRA Law served upon MRC their Reply to the Comment/Opposition. On October 10, 2018, MRC filed its Rejoinder. On October 24, 2018, ACCRA Law served upon MRC their Sur-Rejoinder. The Court is yet to set the case for the Next Pre-Trial hearing but request already been made to set it end of November to first week of December.

As of this date the company does not receive any letter from the Court for the scheduled Pre-Trial.

As of this date the court has ordered the parties for mediation. The parties has agreed for settlement of the case and it was communicate to ACCRA that they make the draft agreement and MRC will review and give comments on the agreement that they will send.

MRC ALLIED INC. VS. HON. KRISTINE CHIONG ET AL.

Plaintiff: MRC Allied Industries Inc. and Rosario Vivares

Defendants: Hon. Kristine Chiong, in here capacity as CITY Mayor for the CITY of NAGA, CEBU

On September 28, 2018, Plaintiff MRC filed the instant complaint for Declaration of Nullity of Public Auction Sale with Application for Issuance of Temporary Restraining Order and Writ of Preliminary Injunction, with Damages against herein respondents. The City Mayor, City Treasurer and City Assessor, proceeded to sell the properties of the plaintiff which is knew very well were the subject of the pending Salubre Case.

As of this date the case was re-raffled to Branch 66 of RTC Talisay Cebu. Case is yet to be set for trial.

The case was dismissed due to jurisdictional requirements but the counsel for MRC will be filing a Motion for Reconsideration.

Aside from the foregoing, there are no other pending civil, criminal or administrative cases involving the Company or any of its directors or officers, whether commenced before the concerned administrative agencies or before the regular courts as of the date of this certification.

Item 4. Submission of Matters to a Vote of Security Holders

On July 14, 2022 the annual stockholders meeting was held via face to face at the Manila Polo Club, Mckinley Road, Forbes Park, Makati City, the following matters were likewise approved and confirmed by the majority of the stockholder's:

1. The minutes of the previous annual meeting of the stockholders held last 07 July 2021 via Zoom Meeting.
2. The 2021 Audited Financial Statement of the Corporation.
3. The acts, proceedings, transactions, and agreements, authorized by and entered into by the Board of Directors and officers of the corporation, for and on behalf of the Corporation from the last special stockholders' meeting to date;
4. The re-appointment of the firm Reyes Tacandong & Company as external auditors of the Corporation;
5. The nomination and election of the following as members of the Board of Directors of the Company: Jimmy Tiu Yaokasin, Augusto M. Cosio, Jr., Bernard B. Rabanzo, James G. Velasquez, Alma F. Buntua, Emmanuel Veloso(Independent Director), and Gopal Sham Daswani (Independent Director);

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

a. Market Information

MRC's common shares are traded in the Philippine Stock Exchange. The volume of its shares traded from 2020 to 2022 has been negligible due to market conditions.

The following are the highlights of trading during every quarter for the past three years where the last trading date was **December 29, 2022 at P0.1950**.

2022	High	Low
1 st Quarter	0.2500	0.2480
2 nd Quarter	0.1910	0.1840
3 rd Quarter	0.1800	0.1720
4 th Quarter	0.1950	0.1860

2021	High	Low
1 st Quarter	0.4350	0.3850
2 nd Quarter	0.4450	0.4200
3 rd Quarter	0.2950	0.2850
4 th Quarter	0.2650	0.2550

2020		
1 st Quarter	0.1422	0.1330
2 nd Quarter	0.1520	0.1460
3 rd Quarter	0.2480	0.2410
4 th Quarter	0.5900	0.5200

b. Security Holders

The number of shareholders of record as of the date of this Report is 627 and a common share outstanding is 8,512,658,975.

MRC's Top 20 Stockholders as of December 31, 2022 are as follows:

TOP	NAME	TOTAL SHARES	PERCENTAGE
1.	PCD Nominee Corporation	8,292,241,558	97.4107.
2.	Pan Asia Securities Corp	149,274,000	1.7536
3.	EMRO Holdings, Inc.	40,833,000	0.4797
4.	Philippine TA Sec., Inc.	3,750,000	0.0441
5.	Bayan Financial Brokerage	3,399,500	0.0399
6.	1997 Bougainvillea Corporation	2,429,000	0.0285
7.	Lucky Securities, Inc.	1,878,000	0.0221
8.	William T. Gabaldon	1,850,000	0.0217
9.	Pua Yok Bing	1,000,000	0.0117
10.	Victor G. Sy	900,000	0.0106
11.	Leoncio Tan Tiu	700,000	0.0082
12.	Garcia Winston F.	600,000	0.0070
13.	Celso L. Lobregat	500,000	0.0070
14.	Elpidio Duca	460,000	0.0054
15.	Asian Appraisal Holdings, Inc.	413,562	0.0049
16.	Fely C. Ley	400,000	0.0047
17.	Leonardo T. Seguion-Reyna	400,000	0.0047

18.	Codilla, Gwendolyn	333,000	0.0039
19.	Edgar Adlawan	332,000	0.0039
20.	Guild Securities, Inc.	305,000	0.0036

There is no information available as of this date of this Report which relates to acquisition, business combination or other reorganization which could affect the present holdings of MRC's shareholders.

c. Dividends

No cash dividends declared on each class for the two most recent fiscal years and any subsequent interim period.

d. Recent Sales of Unregistered Securities or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

In 1995, the Company listed its entire 500 million shares in the Philippine Stock Exchange. All are fully sold and outstanding.

In October 7, 2010, the PSE approved the listing of an additional 3,121,416,747 common shares via debt to equity conversion subject to 180-day lock up period pursuant to the rules of the Exchange.

In May 23, 2012, the PSE likewise approved the listing of an additional 503,583,253 common shares as the final tranche of the debt to equity conversion.

On February 28, 2013, the stockholders approved a debt-to-equity conversion of up to P1.0 billion of previously contracted debt at P0.20 a share and the reduction in par value of shares from P0.20 to P0.10 to implement a quasi-reorganization by offsetting the resulting additional paid-in capital against the Company's deficit to improve the Company's financial position. The Company still has to file the necessary documents for the debt-to-equity conversion and the quasi-reorganization with the SEC.

On November 8, 2013, Securities & Exchange Commission approved the (1) debt-to-equity conversion payable to a stockholder amounting to P877.5 million as consideration for the issuance of 4,387,658,975 shares of stock with a par value of 0.20 per share and, (2) the Company's equity restructuring. The equity restructuring reduced the par value of shares from 0.20 to 0.10 and the resulting additional paid-in capital of P851.3 million was applied against the Company's deficit. As at December 31, 2013, the company has a positive equity of P755.4 million from a capital deficiency of P99.4 million as at December 31, 2012.

On May 19, 2021, the Board of Directors of the Philippine Stock Exchange approved the Company's application for the listing of its 4,387,658,975 common shares with a par value of Php0.20 per share subject to the Lock-Up Requirement under Section 7, Article V, Part A of the Listing Rules of the Exchange. The foregoing approval was subject to the Company's Compliance with the post approval requirements specified in the Notice of Approval. Starting February 10, 2022, these shares have been eligible for trading in the PSE following the expiration of the 180-day lock up period on February 09, 2022.

With the issuance of new shares in favor of Menlo Capital Corporation, MRC's outstanding capital stock increased to 8,512,658,975 shares.

There are no recent sales of unregistered securities or exempt transaction, neither are there recent issuances covered by rules on Exempt Transactions.

Item 6. Management's Discussion and Analysis or Plan of Operation

The following are the financial highlights of the Company and its subsidiaries for the years 2022, 2021 and 2020:

2022 - The Group has no significant revenue generating activity and has incurred significant expenses as it continues to explore and develop potential business ventures. The Group's current liabilities has also exceeded its current assets by ₱ 775.2 million and ₱975.1 million as at December 31, 2022 and 2021, respectively.

These factors indicate material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The Group has investment properties in Naga City, Cebu and San Isidro, Leyte with aggregate carrying value of ₱2,158.6 million and ₱2,075.2 million as at December 31, 2022 and 2021, respectively. The Group intends to realize these investment properties by either outright sales or joint venture with property developers (see Note 4).

As at December 31, 2022 and 2021, the Group has the following business ventures in renewable energy:

a. Solar Power Plant

The Group has a 15% ownership in Sulu Electric Power and Light (Philippines) Inc. [SEPALCO] which owns and operates a 50-megawatt solar project located in Palo, Leyte for ₱255.3 million (see Note 6). The power generated from this project is currently being sold to Wholesale Electricity Spot Market (WESM).

b. Solar Photovoltaic (PV) System Project

The Group, through MREN, operates a 550 kilowatt-power (kWp) solar PV rooftop systems for a rice milling plant in Northern Luzon. Revenues generated from this project amounted to ₱2.3 million in 2022, ₱2.5 million in 2021 and ₱1.6 million in 2020.

In line with the Group's direction to focus on renewable energy projects, the Parent Company's BOD approved to sell its exploration and evaluation assets with a carrying value of ₱231.7 million on February 17, 2022. Subsequently, on March 10, 2022, the Parent Company entered into a Memorandum of Agreement with a third party to sell these exploration and evaluation assets for ₱750.0 million. Under the agreement, the contracting parties shall execute a Deed of Assignment to transfer the rights of the exploration and evaluation assets to the buyer. As at December 31, 2022, the contracting parties have not yet finalized the Deed of Assignment.

To further diversify its investment portfolio, the Group has started exploring business ventures in technology and digital solutions, and Information and Communication Technology (ICT), in order to leverage on the country's aggressive digital transformation programs.

On February 27, 2023, the Parent Company entered into a Memorandum of Agreement with MCC to purchase 500,000,000 shares of stock, at ₱1.00 par value a share, of Philippine Telegraph and Telephone Corporation (PT&T) held by MCC, equivalent to 33% ownership. Under the agreement, the contracting parties should close the sale within sixty (60) days from the date of the agreement ("Closing Period").

Significant provisions in the agreement also include:

- a. Finalize the terms of reference which details the purchase price, schedule of payments and other material terms and conditions of the sale within thirty (30) days from the date of the agreement; and
- b. Execute a definitive agreement based on the terms of reference within the Closing Period.

As at the date of the approval and issuance of the consolidated financial statements, the Parent Company and MCC are still in the process of finalizing the terms of the sale.

In 2021, the Group re-affirmed its plan to issue 1,428,571,428 shares, at ₱0.10 par value a share or equivalent to ₱142.9 million, at the issue price of ₱0.70 a share or equivalent to ₱1,000.0 million, through a private placement. On March 8, 2023, the SEC approved the amendment on the use of proceeds of this private placement to also cover investment acquisitions in ICT which includes the purchase of PT&T shares. As at the date of the approval and issuance of the consolidated financial statements, the Group is in the process of negotiating the terms of the subscriptions with the potential investors.

In the meantime, the Group stockholders have continued to provide financial support to sustain Group operations and to meet its maturing obligations. Due to a related party has aggregated ₱291.3 million and ₱273.1 million as at December 31, 2022 and 2021, respectively.

The ability of the Group to continue as a going concern depends largely on the successful implementation and outcome of the foregoing business development plans, and the continuing financial support of the Group stockholders.

2021 – The Group has incurred operating losses amounting to P23.4 million in 2021, P22.2 million in 2020 and P32.0 million in 2019 as it continues to explore and develop potential business ventures. Also, as at December 31, 2021 and 2020, the Group's current liabilities exceeded its current assets by P975.1 million and P918.8 million, respectively. The Group's landbank located in San Isidro, Leyte with a carrying amount of P851.1 million and P802.1 million as at December 31, 2021 and 2020, respectively, are subject to a possible government reclamation and subsequent distribution to qualified agrarian reform beneficiaries under the Comprehensive Agrarian Reform Program. The Company has recognized a provision for probable loss of P20.0 million arising from a legal dispute. Also, recognition of interest expense and penalties on loans payable amounting to P15.68 million.

The Group's investment properties in Naga, Cebu and San Isidro, Leyte represent about 79.3% and 77.4% of Group assets as at December 31, 2021 and 2020, respectively. In 2021, the Group adopted the fair value model accounting for these investment properties resulting to a net income of P167.7 million in 2021 and P846.6 million in 2020, and retained earnings of P366.3 million and P198.6 million as at December 31, 2021 and 2020, respectively. The adoption of the FV model should be applied retrospectively at the date of the reclassification to investment properties. The Group also operates a solar photovoltaic (PV) project for a rice milling plant in Northern Luzon, and has a 15% ownership in Sulu Electric Power and Light (Philippines) Inc., which owns and operates a 50-megawatt solar project in Palo, Leyte.

The Group has entered in a Memorandum of Agreement to acquire up to 250million shares or not less than 75% ownership in Kerberus Corporation, a company engaged in cybersecurity services and other digital solutions. Moreover, in March 2022, the Group has entered into a Memorandum of Agreement for the sale of its exploration and evaluation assets with a carrying amount of P231.7 million for P750 million.

In January 2021, the Group has re-affirmed its plan to issue 1,428,571,428 shares, with a par value of P0.10 a share or equivalent to P142.9 million, at the issue price of P0.70 a share or equivalent to P1,000 million through a private placement to finance the current pipeline of investment acquisitions.

Also, May 2021, the Group obtained the approval of the Philippine Stock Exchange for the additional listing of 4,387,658,975 shares owned by Menlo Capital Corporation.

The country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns mobilities over the country. This factor adds on the material uncertainties that may cast doubt on the ability of the Group to continue as a going concern.

2020 - The Group has incurred a deficit amounting to P=705.7 million and P=648.0 million as of December 31, 2020 and 2019, respectively, because of operating expenses the Group has incurred as it continues to explore and develop potential business ventures. The Group also recognized provision for impairment loss of P=23.5 million in 2020 on predevelopment costs on a discontinued solar project and P=232.5 million in 2019 on its exploration and evaluation assets resulting from the reduction of a mining area covered by an Exploration Permit (EP) in 2019. In 2020, the Mines and Geosciences Bureau (MGB) denied the Group's application for an EP for failing to comply with a documentary requirement. The recoverability of the exploration and valuation assets amounting to P=214.0 million related to the EP largely depends on the result of the MGB's ruling which is still pending as at the date of the consolidated financial statements. Management and its legal counsel, however, believes that it will get a favorable ruling from MGB on its Motion for Reconsideration and request for an extension of the period to comply with the requirement.

The Group's land banks located in San Isidro, Leyte with carrying amount of P=359.3 million is subject to a possible government reclamation and subsequent distribution to qualified agrarian reform beneficiaries under the Comprehensive Agrarian Reform Program (CARP). As at December 31, 2020, however, the Group has not received any formal notice or correspondence from the Department of Agrarian Reform (DAR) or other government agencies with regard to the planned distribution.

Moreover, the country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. These factors indicate material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. The Group's stockholders, however, have continued to provide financial support to sustain Group operations and to meet its maturing obligations. Debt-to-equity conversions of advances from stockholder in 2013 and 2012 and equity restructuring in 2014 and 2013 have reduced the Group deficit. Due to a stockholder has aggregated P=248.3 million and P=222.5 million as of December 31, 2020 and 2019, respectively (see Note 9).

The Group also has potential business ventures in mining and renewable energy. With the Group's conversion to a holding company, it intends to explore new investment opportunities, particularly in technology businesses and digital solutions, to diversify its portfolio and generate revenue to sustain operations over time.

Notes to Financial Statements:

Basis of Preparation

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements. The accounting policies adopted are consistent with those of the previous years, except as otherwise stated.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), which is the Group's functional currency. All values are rounded to the nearest Peso, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for investment properties which are measured at fair value, investment in unquoted securities which are measured at fair value through other comprehensive income (FVOCI), and the retirement liability which is measured at the present value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange for incurring a liability.

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal on the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best interest.

A fair value measurement of nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by

re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in Notes 4 and 17 to the consolidated financial statements.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS as at January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The ‘costs of fulfilling’ a contract comprise the ‘costs that relate directly to the contract’. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendment to PFRS 9, *Financial Instruments - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the ‘10 per cent’ test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

The adoption of the amended PFRS did not materially affect the financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

Amended PFRS in Issue But Not Yet Effective

Relevant amended PFRS which are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples

to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities 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. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.
- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.
Deferred effectivity -
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020.

Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. In assessing control, the Parent Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control and continue to be consolidated until the date such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies for like transactions and other events in similar circumstances.

All significant intercompany balances and transactions, including inter-group unrealized profits and losses resulting from intercompany transactions, are eliminated in full in preparing the consolidated financial statements. Changes in the controlling equity ownership (i.e., acquisition of noncontrolling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group’s business model and its contractual cash flow characteristics.

The Group does not have financial assets and liabilities at FVPL and debt instruments designated at FVOCI as at December 31, 2022 and 2021.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2022 and 2021, the Group’s cash in banks, trade receivables and amounts due from related parties are classified under this category.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and,
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income (OCI) are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2022 and 2021, the Group designated its investment in unquoted equity securities as financial asset at FVOCI.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at December 31, 2022 and 2021, the Group's trade and other payables (excluding statutory payables), loans payable, amounts due to a related party, and security deposit are classified under this category.

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss. Meanwhile, for a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment of Financial Assets at Amortized Cost

The Group records an allowance for expected credit loss (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, as appropriate, and on assessment of both the current as well as the forecast direction of condition at the reporting date, including time value of money where appropriate.

For other financial assets measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Asset Held For Sale

Asset held for sale pertains to exploration and evaluation assets whose carrying values will be recovered principally through sale transaction rather than through continuing use. These assets are available for immediate sale in its present condition and the sale is highly probable. Subsequent to initial recognition, these are measured at the lower of its carrying amount and fair value less costs to sell.

Other Current Assets

Other current assets consist of input value-added tax (VAT), deposits, creditable withholding tax (CWT) and advances to suppliers.

Input VAT. Input VAT represents tax imposed on the Group by its suppliers for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is recognized as an asset, carried at cost less any impairment in value and will be used to offset the Group's current VAT liability.

Deposits. Deposits represent payments made in relation to the lease and other agreements entered into by the Group. These are carried at cost less any impairment in value and will generally be applied as lease payment or final payment at the end of the agreements.

CWT. CWT represent taxes withheld by the Group's customers as required under Philippine taxation laws and regulations. CWT is recognized as asset, carried at cost less any impairment in value and will be used to offset against the Group's income tax liability.

Advances to Suppliers. Advances to suppliers are recognized whenever the Group pays in advance for its purchase of goods or services and are carried at cost less any impairment in value. These are subsequently charged as an expense in profit or loss upon actual receipt of goods or utilization of services, which is normally within twelve months or within the normal operating cycle.

Investment Properties

Investment properties include land held for the purpose of earning rentals or for capital appreciation or both. These properties are not held to be used in production or sale in the ordinary course of business.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects the market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statements of comprehensive income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the profit or loss in the year of retirement or disposal.

Transfers are made to and from investment properties when, and only when, there is a change in use, evidenced by a) commencement of owner-occupation, for a transfer from investment property to owner-occupied; b) commencement of development with a view to sale, for a transfer from investment property to assets held for sale; c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or d) commencement of an operating lease to another party, for a transfer from property and equipment to investment property.

Exploration and Evaluation Assets

Exploration and evaluation assets represent the Group's acquired rights to do exploration and evaluation of certain mining areas. Expenditures for mine exploration work prior to and subsequent to drilling are deferred as incurred. These shall be written-off if the results of the exploration work are determined to be not commercially viable. If the results are commercially viable, the deferred expenditures and the subsequent development cost shall be capitalized and amortized from the start of commercial operations using the units-of-production method based on estimated recoverable reserves, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Property and Equipment

Property and equipment, except for land, is stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less impairment loss, if any.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are recognized in the consolidated statements of comprehensive income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated and amortized separately.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets. The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The estimated useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives of items of property and equipment are as follows:

	Number of Years
Solar PV system	20
Transportation equipment	5
Furniture, fixtures and equipment	3
Land improvements	5
Leasehold improvements	3 years or term of the lease whichever is shorter

When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization are removed from the accruals and any resulting gain or loss is recognized in the consolidated statements of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of

comprehensive income in the year the asset is derecognized.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of comprehensive income.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, the increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Capital Stock

Capital stock represents the par value of the issued shares.

Retained Earnings (Deficit)

Retained earnings (deficit) represents cumulative balance of the Group's result of operations. Retained earnings also include effect of restatements and/or changes in accounting policy as may be required by the transitional provisions of new and amended standards.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year excluding shares held by subsidiaries, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Where the EPS effect of potential dilutive ordinary shares would be anti-dilutive, basic and diluted EPS are stated at the same amount.

Segment Reporting

An operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or

enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

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

Service Fee. Revenue is recognized as income when the related services have been rendered based on contractual terms.

Interest Income. Interest income is recognized as it accrues based on the effective interest method.

Cost and Expenses Recognition

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

Direct Cost. Direct cost is recognized as expense when the related service is rendered.

General and Administrative Expenses. General and administrative expenses constitute cost of administering the business. These are expensed as incurred.

Interest Expense and Penalties. Interest expense and penalties represents the cost of money used in operations including charges for late payments and are recognized as incurred. Interest expense is measure using the effective interest rate method.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in PFRS 16.

Group as a Lessee. The Group applies the short-term lease recognition exemption to its short-term lease of office space (i.e., leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Employee Benefits

Short-term Benefits. The Group provides short-term benefits to its employees in the form of basic salary, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits. These are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Group has an unfunded, defined benefit retirement plan covering all qualified employees. The retirement benefits expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailment and non-routine settlements (if any), and interest expense in profit or loss. Interest expense is calculated by applying the discount rate to the retirement liability. Past service costs are recognized in profit or loss

on the earlier of the date of the plan amendment, curtailment, and the date the Group recognizes restructuring related costs.

Remeasurements pertaining to actuarial gains and losses are recognized immediately in OCI and are closed to retained earnings in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity, respectively.

Related Party Relationships and Transactions

Related party relationships exist 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 relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders. Related parties may be individuals or corporate entities. An entity is also related to the Group when it directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions with related parties are accounted for at arm's-length prices or terms similar to those offered to non-related entities in an economically comparable market.

Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the Group's total assets, or ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Group's total assets. Details of transactions entered into by the Group with related parties are reviewed in accordance with the Group's related party transactions policy.

Provisions

Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or

all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

Contingent assets and liabilities are not recognized in the consolidated financial statements. Contingent liabilities are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are disclosed in the notes to consolidated financial statements when inflows of economic benefits are probable.

Events After the Reporting Date

Events after the reporting period that provide additional information about the Group's consolidated financial statements at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

Key Performance Indicators

Below is a schedule showing financial soundness indicators in the year 2022, 2021 and 2020

Ratio	2022	2021	2020 As restated
Current/Liquidity Ratio			
Current assets	₱258,878,727	₱27,588,769	₱26,078,161
Divided by: Current Liabilities	1,034,040,196	1,002,729,089	940,888,031
	0.25:1.00	0.03:1.00	0.03:1.00
Solvency Ratio			
Net income before depreciation and amortization	₱29,743,160	₱170,014,727	₱1,231,899,569
Divided by: Total liabilities	1,452,575,146	1,399,402,939	1,345,602,148
	0.02:1.00	0.12:1.00	0.91:1.00
Debt-to-Equity Ratio			
Total liabilities	₱1,452,575,146	₱1,399,402,939	₱1,345,602,148
Divided by: Total equity	1,245,843,052	1,217,690,978	1,049,864,729
	1.17:1.00	1.15:1.00	1.28:1.00
Asset-to-Equity Ratio			
Total assets	₱2,698,418,198	₱2,617,093,917	₱2,395,466,877
Divided by: Total equity	1,245,843,052	1,217,690,978	1,049,864,729
	2.17:1.00	2.15:1.00	2.28:1.00
Interest Rate Coverage Ratio			
Income before interest and taxes	₱61,406,108	₱173,743,032	₱(1,218,548,658)
Divided by: interest expense	12,399,288	15,688,327	15,646,199
	4.95:1.00	11.07:1.00	(77.88):1.00
Return on Assets Ratio			
Net Income	₱28,152,074	₱167,826,249	₱1,234,194,857
Divided by: Total assets	2,698,418,198	2,617,093,917	2,395,466,877
	0.01:1.00	0.06:1.00	0.51:1.00
Return on Equity Ratio			
Net Income	₱28,152,074	₱167,826,249	₱1,234,194,857
Divided by: Total Equity	1,245,843,052	1,217,690,978	1,049,864,729
	0.02:1.00	0.14:1.00	1.17:1.00
Net Profit Margin			
Net Income	₱28,152,074	₱167,826,249	₱1,234,194,857
Divided by: Revenues	2,284,546	2,474,252	1,602,495
	12.32:1.00	67.83:1.00	770.17:1.00

Discussion and Analysis of Material Events

(1). (i) MRC's debt-to-equity restructuring have a material impact on its liquidity and equity in the first quarter of 2014. The quasi-reorganization, debt to equity conversion and the decrease in MRC's par value resulted to a positive equity.

(ii) There are no other known trends, commitments, events or uncertainties that will have a material impact on MRC's liquidity within the next twelve (12) months except for those mentioned above.

(2) (i) There are no material commitments as yet for capital expenditures.

(ii) There are no events that will trigger any direct or contingent financial obligation that is material to the Company or any default or acceleration of an obligation for the period.

(3) (i) There is nothing to disclose regarding any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of MRC with unconsolidated entities or other persons created during the reporting period.

(4) There are no other significant elements of income or loss that did not arise from the MRC's operations or borrowings for its projects.

(5) The causes of the material changes of 5% or more (as discussed above) from period to period of the following accounts are as follows:

Balance Sheet Accounts:

Total assets amount to P2.70 billion and total liabilities and equity is P1.42 billion and P1.25 billion, respectively. In 2022, the Group adopted the fair value model accounting for these investment properties resulting to a net income of P28.15 million in 2022 and P167.83 million in 2021, and retained earnings of P394.58 million and P366.43 million as at December 31, 2022 and 2021, respectively. The adoption of the FV model should be applied retrospectively at the date of the reclassification to investment properties.

The Group's investment properties in Naga, Cebu and San Isidro, Leyte represent about 79.3% and 77.4% of Group assets as at December 31, 2022 and 2021, respectively.

Due to Related Parties was increased by P18.12 million in 2022 due to the advances made from parent company for the working capital requirements. Other current assets decreased by P0.190 in 2022 due to payments to suppliers.

Accrued interest, penalties, and other payables of P717.17 million in 2022 compared to P703.81 in 2021 went up by P13.28 million because of the accrual of interest on the bank loan amounting to 12.40 million and taxes payable. There is no recognition of provision for probable losses.

The Group has incurred net income amounting to P28.15 million in 2022, P167.83 million in 2021 and P846.65 million in 2020 due to gain on fair value changes of investment properties. Also, as at December 31, 2022 and 2021, the Group's current liabilities exceeded its current assets by P775.16 million and P975.1 million, respectively.

Financial Risk Disclosure under SRC Rule 17.1 (1)(A) (ii)

The Group's principal financial instruments are cash in banks, trade receivables, due from related parties, financial asset at FVOCI, trade and other payables (excluding statutory payables), loans payable, due to a related party and security deposit.

The BOD is responsible for the Group's risk management. The Group has risk management policies to identify and manage Group exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk and liquidity risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks which are summarized below.

Credit Risk. Credit risk refers to the potential loss arising from any failure by counter parties to fulfill their obligations, as and when they fall due. Credit risk from balances with banks and related parties are managed by the Group's management in accordance with the policies set by the BOD. The Group's maximum exposure to credit risk is equal to the carrying amounts of the financial assets.

The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking account of any collateral and other credit enhancements:

	2022	2021
Cash in banks	₱346,290	₱708,714
Trade receivables	198,479	363,016
Due from related parties	19,258,527	19,001,807
Total credit risk exposure	₱19,803,296	₱20,073,537

The tables below show the credit quality and aging analysis of the Group's financial assets as at December 31, 2022 and 2021:

	2022							
	Neither Past Due nor Impaired			Past Due but not Impaired				Total
	High Grade	Standard	Substandard	1 - 30 Days	31 - 60	More than	Impaired	
		Grade	Grade		Days	60 Days		
Cash in banks	₱346,290	₱—	₱—	₱—	₱—	₱—	₱—	₱346,290
Trade receivables	—	198,479	—	—	—	—	—	198,479
Due from related parties	—	19,258,527	—	—	—	—	—	19,258,527
	₱346,290	₱19,457,006	₱—	₱—	₱—	₱—	₱—	₱19,803,296
	2021							
	Neither Past Due nor Impaired			Past Due but not Impaired				Total
	High Grade	Standard	Substandard	1 - 30 Days	31 - 60	More than	Impaired	
		Grade	Grade		Days	60 Days		
Cash in banks	₱708,714	₱—	₱—	₱—	₱—	₱—	₱—	₱708,714
Trade receivables	—	363,016	—	—	—	—	—	363,016
Due from related parties	—	19,001,807	—	—	—	—	—	19,001,807
	₱708,714	₱19,364,823	₱—	₱—	₱—	₱—	₱—	₱20,073,537

The credit quality of the receivables is managed by the Group using internal credit quality ratings. High grade accounts consist of financial assets from counterparties with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Financial assets that are still collectible but require persistent effort from the Group to collect are considered substandard grade accounts. Past due but not impaired are items with history of frequent default, nevertheless, the amounts are still collectible. Financial assets that are most likely uncollectible are considered as impaired.

At the reporting date, there is no significant concentration of credit risk.

Liquidity Risk. The Group's objective is to maintain a balance between continuity of funding and flexibility through availment of loans and advances from related parties. The maturity profile of the Group's financial liabilities as at December 31, 2022 and 2021 based on contractual payments follow:

	2022				
	Total Carrying Amount	Contractual Undiscounted Payments			
		On Demand	< 1 Year	1 to 5 Years	> 5 Years
Trade and other payables*	₱292,189,151	₱255,250,000	₱36,939,151	₱—	₱—
Loans and interest payable	449,238,572	448,632,778	605,794	—	—
Due to a related party	291,259,606	291,259,606	—	—	—
Security deposit	4,187,500	—	—	4,187,500	—
	₱1,036,874,829	₱995,142,384	₱37,544,945	₱4,187,500	₱—

*Excluding statutory payables amounting to ₱1,352,867.

	2021				
	Total Carrying Amount	Contractual Undiscounted Payments			
		On Demand	< 1 Year	1 to 5 Years	> 5 Years
Trade and other payables*	₱291,542,981	₱255,250,000	₱36,292,981	₱—	₱—
Loans and interest payable	437,574,034	436,462,396	695,767	415,871	—
Due to a related party	273,142,087	273,142,087	—	—	—

Security deposit	4,437,500	—	—	4,437,500	—
	₱1,006,696,602	₱964,854,483	₱36,988,748	₱4,853,371	₱—

*Excluding statutory payables amounting to ₱885,858.

Plan of Operation

The Company has incurred expenses as it continues to explore and develop potential business ventures, particularly renewable energy and mining, resulting to a deficit. However, because of the debt-to-equity conversions in 2013 and 2012 and the equity restructuring in 2014 and 2013, it has reduced its deficit resulting to a positive equity of P485.8 million and P545.0 million as at December 31, 2018 and 2017, respectively.

The Group has MOA for gold and copper covering mining areas where Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) have applications for EP or Mineral Production Sharing Agreement (MPSA) with the MGB.

These are summarized as follows:

Holder	Date	Location	No. of Hectares as at December 31	
			2022	2021
		Kiblawan, Davao del Sur and Columbio, Sultan Kudarat (AMC Kiblawan)	7,559.1	7,559.1
AMC	November 8, 2010			
	January 7, 2011	Marihatag, Surigao del Sur (AMC Marihatag)	3,759.3	3,759.3
		Boston and Cateel, Davao Oriental (PMC Boston-Cateel)	4,860.0	4,860.0
PMC	March 28, 2011			
	February 4, 2011	Paquibato, Davao City (PMC Paquibato)	593.2	593.2

Each MOA provides for, among others:

- 3% royalty on gross proceeds or gross sales of all mineral production payable 15 days after every three months commencing at the end of the first full quarter after the commencement of production; and
- ₱2.0 million to ₱3.0 million royalty advances at every anniversary date of the MOA. However, the Group has not yet provided any royalty advances for the MOA dated March 28, 2011 due to pending exploration permits.

Moreover, the Parent Company will assume all financial costs and expenditures and provide all technical expertise, manpower and support to AMC and PMC to get the necessary MPSA for the mining areas and to comply with the tenement requirements to bring the mining agreements into commercial mining production and operation within the earliest time possible. The agreements with the Philippine government shall always be in the name of AMC and PMC with the Group as the operator.

The carrying amount of these exploration and evaluation assets consists of:

	2022	2021
AMC Kiblawan	₱214,000,000	₱214,000,000
PMC Paquibato	17,749,591	17,749,591
	₱231,749,591	₱231,749,591

In consideration for the MOA dated November 8, 2010 (AMC Kiblawan) and February 4, 2011 (PMC Paquibato), MCC issued 600 million MCC shares each to AMC and PMC in 2011 equivalent to ₱464.3 million. In 2020, the Group wrote off exploration and evaluation assets of ₱232.5 million as a result of the reduction of the mining area covered by the EP for PMC Paquibato.

The Parent Company has not yet transferred the 600 million common shares at ₱0.10 par value for the MOA dated March 28, 2011 (PMC Boston-Cateel) pending the final determination of the mining areas by PMC. The consideration for the MOA dated January 7, 2011 (AMC Marihatag), which was entered into by MRC Surigao, is subject to a separate agreement. As at the date of the approval and issuance of these consolidated financial statements, the Group is awaiting the lifting of the moratorium on the issuance of new mining permits by the Department of Environment and Natural Resources (DENR) to finalize the terms of the MOA.

On September 15, 2020, the MGB released an Order of Denial covering the EP application for AMC Kiblawan because of a failure to comply with a documentary requirement within the specified period. The Group has been persistent in obtaining the required document, however, because of the limitations brought by the Covid-19 related mandated lockdowns in 2021 and 2020, and other circumstances beyond the Group's control, the document was not obtained and submitted within the required period. Pursuant to the MGB's guidelines and procedures, the Group filed a Motion for Reconsideration to reverse the denial. The decision on the motion is pending as at the date of the approval and issuance of these financial statements.

On February 17, 2022, the Parent Company's BOD approved to sell the exploration and evaluation assets resulting to the reclassification of these assets to 'Asset Held For Sale'. On March 10, 2022, the Parent Company entered into a Memorandum of Agreement with a third party for the sale of the MOA for AMC Kiblawan, PMC Paquibato, PMC Boston-Cateel and AMC Marihatag for P750.0 million. As at December 31, 2022, the carrying values of the exploration and evaluation assets is lower than the negotiated price of the transaction.

Moreover, under the agreement, the parties undertake to execute a Deed of Assignment to transfer the rights of the exploration and mining assets to the buyer. As at the date of the approval and issuance of these consolidated financial statements, the contracting parties have not yet finalized the Deed of Assignment.

Solar Power Projects

In October 2019, MREN has completed the procurement, design, testing and commissioning of the 550 kWp solar PV system project for a rice milling plant in Northern Luzon. MREN is responsible in operating and maintaining the solar PV system, which includes, among others: (a) reading and inspecting the solar billing meter; (b) conduct any testing, inspection, repair, recalibration and replacement of the solar PV metering system; and (c) sending of monthly invoice.

The proposed capacity of the project is 550 kilowatts with agreed generation charge of ₱7.00/ kilowatt-hour (kWh) for a period of twenty (20) years. The generation charge can be lowered to ₱6.75/kWh for eighteen (18) years when the total capacity reaches two (2) megawatts and upon mutual agreement of the parties. Throughout the term of the agreement, the solar PV system shall be owned solely by MREN, except when the provisions on early termination, which includes default or dissolution of the parties and option to buy, among others, are met.

The agreement provides for, among others:

- Monthly variable service fee, calculated by applying the agreed rate of ₱7.00/per kWh, or distribution utility (DU) rate whichever is lower but subject to floor rate of ₱6.50/per kWh, to the monthly Net Energy Output. The total monthly fee shall be subject to adjustments from daily downtime inclusion and/or other fees due by reason of violation or breach of the agreement.
- Security deposit, in the form of surety bond or cash. Surety bond must be demandable at anytime during the term of this agreement and should be issued by a surety or insurance company duly certified by the Insurance Commission, in the amount of ₱5.0 million. Security deposit in the form of cash shall be deposited and maintained to a specified account to be agreed by the parties. This deposit shall be forfeited in favor of the Group in case of any default by the other party in the terms of the agreement. Security deposit amounted to ₱4.2 million and ₱4.4 million as at December 31, 2022 and 2021, respectively.

Service revenues amounted to ₱2.3 million in 2022, ₱2.5 million in 2021 and ₱1.6 million in 2020. Outstanding receivables, which are noninterest-bearing and are usually collected within 30 days, amounted to ₱0.2 million and ₱0.4 million as at December 31, 2022 and 2021, respectively.

On February 22, 2019, the Group, through MREN, entered into a Memorandum of Agreement with a third-party contractor engaged in the selling and servicing of solar panels (the Contractor) for the engineering, procurement and construction (EPC) of the Solar PV Project. The Memorandum of Agreement covers the general technical and associated requirements for the design, supply, delivery, installation, testing and commissioning, including all items which can be reasonably inferred as being required for the Solar PV Project's completion. The total contract price amounted to ₱29.4 million, inclusive of any and all taxes, including VAT and applicable withholding taxes, and subject to variations as defined and allowed by the Memorandum of Agreement.

On February 21, 2021, MREN received a Notice to Terminate from the Contractor for the engineering, procurement and commissioning of the 550 kWp Project. As at the date of the approval and issuance of these consolidated financial statements, MREN is in the process of verifying the grounds for termination and negotiating certain terms of the

agreement with the Contractor. Payables to the Contractor amounted to ₱13.0 million as at December 31, 2022 and 2021.

The Group, through MREN, had a Solar Energy Service Contract with the DOE for the exclusive right to explore and develop a solar project in Naga, Cebu. In 2018, the DENR ordered the suspension of the development activities within the solar project's area because of supervening events affecting the condition and feasibility of the area. As a result, the Group had to surrender its Solar Energy Service Contract which resulted to the recognition of the provision for impairment loss on predevelopment costs amounting to ₱23.5 million in 2020. In 2022, the Group wrote off these predevelopment costs.

Item 7. Financial Statements

The firm Reyes Tacandong & Co., has been elected and approved as external auditor of the Company during its annual stockholders' meeting on July 14, 2022.

The financial statements of MRC for December 31, 2022, as audited by Reyes Tacandong & Co. are incorporated in this report as reference. The objective of the audit is to provide an auditor's report expressing an opinion on the financial statements for the year 2022 in accordance with Philippine Standards on Auditing. Details of the information of the Independent Auditor are as follows:

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	26 th Floor BDO Towers Valero (formerly Citibank Tower) 8741 Paseo de Roxas, Makati City
Certifying Partner	:	MICHELLE R. MENDOZA-CRUZ

Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 97380-SEC Group A
Issued April 8, 2021
Valid for Financial Periods 2020 to 2024
BIR Accreditation No. 08-005144-012-2023
Valid until January 24, 2025
PTR No. 9564565
Issued January 3, 2023, Makati City

The Company has complied with SEC Memorandum Circular No. 8 regarding rotation of external auditor or engagement partners.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no disagreements between MRC and its accountants/external auditors on any accounting matter since the last annual stockholders meeting to date.

Fees and Other Arrangements

The estimated external auditor's fees are based on the agreed timetable that will enable the Company's statutory obligations in relation to the filing of financial statements with the Securities and Exchange Commission. Other services include the assistance in the preparation of the annual income tax return.

For services rendered, fees for the year 2020 to 2022 is P400,000.00 each year, exclusive of €VAT and out of pocket expenses.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a. Incumbent Directors and Positions Held for the Past Five (5) Years

Jimmy Tiu Yaokasin, Filipino
Chairman

Mr. Yaokasin serves as member of the Board of Directors in various companies such as the Development Academy of the Philippines, Splash Corporation, Bethel International School Inc., China Philippine Mining Development Inc. and Leyte CableTV Network Inc. He is a Certified Public Accountant who obtained his bachelor's degree from the University of the Philippines where he graduated Cum Laude. He has a Master's in Business Administration degree, which he obtained from the Kellogg School of Management of the Northwestern University of Chicago.

Augusto M. Cosio Jr., Filipino
President & CEO

Mr. Augusto M. Cosio Jr., or "Gus", is a known advocate for investing and the development of the Philippine capital markets. Having gained a wealth of experience in the global capital markets after working in Hong Kong and Singapore for global investment banks such as Deutsche Bank and BNP-Paribas, he is a passionate crusader for investment literacy among Filipinos. He is a regular resource speaker for the Philippine Stock Exchange Certified Securities Specialist Program and for capital market topics at the University of Asia and the Pacific. In the First Metro Group, Gus had spearheaded The Capital Market Seminar Series conducted regularly by First Metro Securities Brokers and First Metro Asset Management Inc. (FAMI) in their offices in Makati, Binondo, Cebu and Davao. Gus finished a course in Social Sciences from the University of the Philippines. Until June 2018, he had been the president for 9 years of FAMI – the First Metro Asset Management Inc. – a multi awarded fund Management Company with around 11 billion pesos of Assets under Management (AUM). In his stint with the First Metro Investment Corp., Gus steered the creation and the listing of the first Exchange Traded Fund or ETF in the Philippine Stock exchange. Gus is also an advocate of road safety being a member of the Board of Trustees of the Automobile Association of the Philippines.

Bernard B. Rabanzo, Filipino
Director

Mr. Rabanzo sits in the Board of Menlo Renewable Energy Corporation, MRC Tampakan Mines Inc. and MRC Surigao Mines Inc. He also serves as the head of the Finance and Admin of MRC.

He holds a degree in Bachelor of Science in Commerce with a Major in Banking and Finance from St. Louis University in Baguio City. Prior to joining MRC, he was employed at Philippine Wireless Inc.

James G. Velasquez, Filipino
Director

Mr. James G. Velasquez is currently the President and CEO of PT&T, a Philippines Telecommunications Company. He was previously a Senior Executive for IBM Global Technology Services, Asia Pacific. James has 30 years of experience in running several business units in the Philippines and in Asia Pacific with focus on business management, operations, strategic sales, digital transformation, technical support, infrastructure management and regional sales & operations. Mr. Velasquez graduated from University of Santo Tomas, with degree in Electronics and Communications Engineering.

Alma F. Buntua, Filipino
Director

Ms. Buntua is currently the Vice President for Finance of 5G Security Inc., a leading security and solutions provider in the Philippines. She is a graduate of Bachelor of Science in Commerce major in Accounting from Guagua National Colleges and a Certified Public Accountant where she earned her license in 1993. In the last 28 years her experience in the Finance industry, she has developed her expertise in Accounting, Treasury, Project Finance and recently as the appointed Chief Finance Officer (Vice- President for Finance) in her current post.

Emmanuel K. Veloso, Filipino
Independent Director

Mr. Veloso is a graduate of Bachelor of Science in Business Administration and Economics from the Sophia University of Tokyo, Japan. An alumnus of the Ateneo de Manila University both for grade school and high school. Actively involved in Civic Society groups such as Sophia University Alumni Association, Pintados Foundation, Inc., Rotary Club of Leyte Gulf, Tacloban City, Grand Lodge of Free and Accepted Masons of the Philippines and Veloso Foundation Inc. Mr. Veloso handled positions and designations both present and in the past such as, Governor, Province of Leyte in 1986, Mayor of Tacloban City in 1986-1987, Board of Director in Philippine Tourism Authority Manila from 2003-2010. PEA Tollways Corporation in 2005-2006 and San Miguel Kuok Food Security, Inc.

He was also a Consultant at San Miguel Corporation in 2010-2013 and Lim Solar Philippines in 2013-present. He is currently the Treasurer for the Center for Natural Farming Initiative Inc. from 2014 to present and a former Board of Director of the PNOC Exploration Corporation. He is presently the Vice President, Plutus Mining Corporation.

A father of 5 Children and a husband to Ms. Marirose F. Garcia-Veloso.

Gopal Sham Daswani, Filipino
Independent Director

Mr. Daswani is a young entrepreneur, investment manager and a philanthropist. He graduated from the University of Asia and the Pacific with a degree in Bachelor of Arts with Specialization in Integrated Marketing Communications.

Term of Office

The Board of Directors is composed of seven (7) members who are elected and approved at the annual stockholder's meeting, and their term shall be one (1) year and until their successors shall have been elected in the next annual stockholders' meeting. The incumbent directors, as enumerated above, shall hold office until their successors are elected at the forthcoming stockholders' meeting.

b. Corporate and Executive Officers and Positions Held/Business Experience for the Past Five (5) Years

The following are the principal corporate officers of MRC:

President & CEO	:	Augusto M. Cosio, Jr.
Chief Admin & Finance Officer	:	Bernard B. Rabanzo
Corporate Secretary/ Chief Legal & Compliance Officer	:	Atty. Johnston R. Brusola

Augusto M. Cosio Jr., Filipino
President & CEO

Mr. Augusto M. Cosio Jr., or "Gus", is a known advocate for investing and the development of the Philippine capital markets. Having gained a wealth of experience in the global capital markets after working in Hong Kong and Singapore for global investment banks such as Deutsche Bank and BNP-Paribas, he is a passionate crusader for investment literacy among Filipinos. He is a regular resource speaker for the Philippine Stock Exchange Certified Securities Specialist Program and for capital market topics at the University of Asia and the Pacific. In the First Metro Group, Gus had spearheaded The Capital Market Seminar Series conducted regularly by First Metro Securities Brokers and First Metro Asset Management Inc. (FAMI) in their offices in Makati, Binondo, Cebu and Davao. Gus finished a course in Social Sciences from the University of the Philippines. Until June 2018, he had been the president for 9 years of FAMI – the First Metro Asset Management Inc. – a multi awarded fund Management Company with around 11 billion pesos of Assets under Management (AUM). In his stint with the First Metro Investment Corp., Gus steered the creation and the listing of the first Exchange Traded Fund or ETF in the Philippine Stock exchange. Gus is also an advocate of road safety being a member of the Board of Trustees of the Automobile Association of the Philippines.

Bernard B. Rabanzo, Filipino
Chief Admin & Finance Officer

Mr. Rabanzo sits in the Board of Menlo Renewable Energy Corporation, MRC Tampakan Mines Inc. and MRC Surigao Mines Inc. He also serves as the head of the Finance and Admin of MRC.

He holds a degree in Bachelor of Science in Commerce with a Major in Banking and Finance from St. Louis University in Baguio City. Prior to joining MRC, he was employed at Philippine Wireless Inc.

Atty. Johnston R. Brusola, Filipino
Corporate Secretary/Chief Legal & Compliance Officer

Atty. Brusola took his undergraduate studies at the University of the Philippines Los Baños Laguna with a Degree in Bachelor of Science in Biology Major in Microbiology. He formerly worked as a Microbiologist at Euromed Laboratories then later on took a training and became a certified Medical Transcriptionist. He also previously joined the BPO industry as a Technical Support Representative. Then he decided to enter law school at the San Beda College Alabang and Philippine Christian University, where he obtained his Bachelor of Laws Degree. He has been admitted to the Bar in 2017 and has been connected with MRC as In-House Counsel since 08 February 2017.

c. Significant Employees

Other than the above-mentioned directors and corporate officers, there are no significant employees who are expected by the Company to make significant contributions to the business of MRC.

d. Family Relationship

No officers and member of the Board are related by consanguinity.

e. Involvement in Certain Legal Proceedings

Jimmy T. Yaokasin

Case Title	Leyte Development Company, Inc. vs. Pilipinas Shell Petroleum Corporation, Isla LPG Corporation, Brandon Briones, Nolan Supat and Jimmy T. Yaokasin, Jr.
Parties	Plaintiff: Leyte Development Company, Inc. Defendants: (1) Pilipinas Shell Petroleum Corporation (2) Isla LPG Corporation (3) Brandon Briones (4) Nolan Supat and (5) Jimmy T. Yaokasin, Jr.
Case Number	Case No. 2013-07-61
Court	Branch 8 of the Regional Trial Court of Tacloban City
Nature of the Case	Claim for Damages with Application for Issuance of Preliminary Injunction
Brief Description and Issues Involved	Plaintiff is previously the distributor of shellane products in Leyte. After the expiry of the Plaintiff's contract, they sought for the extension thereof. Extension was denied and the contract was awarded to the individual defendants. Plaintiff sued the defendants asking for damages on the claim that it developed the market for shellane products in Leyte. The claim for damages has no basis as the award of the contract for distribution of shellane products lies in the sole management discretion of Defendants Isla LPG Corporation/Pilipinas Shell Petroleum Corporation
Amount Involved	PHP50,000,000.00
Status	Plaintiff filed a Motion for Reconsideration of the Order Lifting the previously issued Writ of Preliminary Injunction

James G. Velasquez

Case Title	National Bureau of Investigation (NBI) vs. James G. Velasquez et al.
Parties	Plaintiff: National Bureau of Investigation (NBI) Defendant: James G. Velasquez
Case Number	IS No.XV-14-INV-181-01738

Court	Office of the City Prosecutor of Pasig
Nature of the Case	Alleged Violation of (i) Section 2-A of Commonwealth Act No. 108 (Anti Dummy Law), (ii) Section 2 of Presidential Decree No. 1018 (Limiting the Ownership and Management of Mass Media to Citizens of the Philippines and for the Purposes), and (iii) Section 7 in relation to Section 14 of Republic Act No. 7042 (Foreign Investment Act of 1991)
Brief Description and Issues Involved	I am one of the eight (8) respondents composed of former and current Directors of ("Rappler"). The case stemmed from the issuance by Rappler of Philippine Depository Receipts to a foreign entity which allegedly violated the laws mentioned above. At the time the subject transaction transpired, I was a member of Rappler's Board of Director.
Status	Submitted Resolution

Other than the foregoing, there are no more cases involving the other directors and officers of the Company that are pending as of this report.

Item 10. Executive Compensation

a. Compensation of Directors and Executive Officers

Summarized below are the compensation of directors and executive officers of MRC for the years ended 2022, 2021 and 2020.

Name and Principal Position	Year	Salary	Bonus	Other Compensation
CEO/President & Directors as group Augusto M. Cosio, Jr. Bernard B. Rabanzo – Chief Admin & Finance Officer Johnston R. Brusola- Corp. Sec. Al Joseph C. De Guzman- Chief Operation Officer Maria May P. Militante-Chief BDU Officer				
Total	2022	4,523,290.00	0	0
Total	2021	4,874,431.96	0	0
Total	2020	5,761,589.36	0	0
All other officers & directors as a group named: Jimmy T. Yaokasin James G. Velasquez Alma F. Buntua Emmanuel Veloso Gopal Sham Daswani				
Total	2022	0	0	680,000.00
Total	2021	0	0	696,000.00
Total	2020	0	0	450,000.00

b. Standard Arrangement/Material Terms of Any Other Arrangement/Terms and Conditions of Employment Contract with Above-Named Corporate/Executive Officers

Member of the board of directors have received per diem for services provided as directors for the years 2022, 2021 and 2020.

The Company has no other arrangements in material terms, including consulting contracts, pursuant to which any director was compensated, or is to be compensated directly or indirectly for the years 2022, 2021 and 2020.

Item 11. Security Ownership of Certain Beneficial Owners and Management**a. Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares**

As of December 31, 2022, MRC knows no one who beneficially owns in excess of 5% of MRC's common stock except as set forth in the table below:

Title of Class	Name and Address of the record owner	Citizenship	Amount & Nature of Ownership	Percentage of Class
Common Stock	PCD Nominee Corp.* G/F MKSE Building Ayala Avenue, Makati City	Filipino	8,292,241,558	97.4107

***There are no participants who own more than 5% of MRC's voting securities. The name/s of the person/s authorized to vote the shares under this account are unavailable at the time of the distribution of this Report.

b. Security Ownership of Directors and Management

There are no shares held or acquired beneficially by any of the directors and executive officers of MRC other than to vote the shares under this account are unavailable at the time of the distribution of this Report.

Title of Class	Name of Beneficial Ownership	Amount and Nature of Ownership	Citizenship	Percentage of Class
Common Stock	Jimmy T. Yaokasin Director/Chairman c/o MRC Allied, Inc. 4 th /F Spirit of Comm. Centre 106 Carlos Palanca St. Legazpi Village, Makati City	1 Record & Beneficial	Filipino	0.0000
Common Stock	Augusto M. Cosio, Jr. Director/President & CEO c/o MRC Allied, Inc. 4 th /F Spirit of Comm. Centre 106 Carlos Palanca St. Legazpi Village, Makati City	1 Record & Beneficial Indirect ownership- 1,800,000	Filipino	0.0000
Common Stock	Bernard B. Rabanzo Director/Chief Admin & Finance Officer c/o MRC Allied, Inc. 4 th /F Spirit of Comm. Centre 106 Carlos Palanca St. Legazpi Village, Makati City	1,000 Record & Beneficial	Filipino	0.0000
Common Stock	James G. Velasquez Director c/o MRC Allied, Inc. 4 th /F Spirit of Comm. Centre 106 Carlos Palanca St. Legazpi Village, Makati City	1 Record & Beneficial Indirect Ownership - 800,000	Filipino	0.0000
Common Stock	Alma F. Buntua Director c/o MRC Allied, Inc. 4 th /F Spirit of Comm. Centre 106 Carlos Palanca St. Legazpi Village, Makati City	1 Record & Beneficial	Filipino	0.0000

Common Stock	Emmanuel K. Veloso Independent Director c/o MRC Allied, Inc. 4 th /F Spirit of Comm. Centre 106 Carlos Palanca St. Legazpi Village, Makati City	1 Record & Beneficial	Filipino	0.0000
Common Stock	Gopal Sham Daswani Independent Director c/o MRC Allied, Inc. 4 th /F Spirit of Comm. Centre 106 Carlos Palanca St. Legazpi Village, Makati City	1 Record & Beneficial 1,000- Indirect Ownership	Filipino	0.0000
Common Stock	Johnston R. Brusola Corporate Secretary c/o MRC Allied, Inc. 4 th /F Spirit of Comm. Centre 106 Carlos Palanca St. Legazpi Village, Makati City	0	Filipino	N.A.

Item 12. Certain Relationships and Related Transactions

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

The Company, in the normal course of business, has transactions with its related parties. The following summarizes the related party transactions of the Company and its outstanding balances as at and for the years ended December 31, 2022 and 2021:

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Pursuant to the Company's Manual on Corporate Governance, the directors and officers of MRC are all exerting their best efforts to comply with the leading practices and principles on good corporate governance. During the Company's annual stockholders' meeting held on July 14, 2022, the stockholders of MRC have elected the new members of its Board. The Board is composed of executive and non-executive directors.

The Governance Committee:

Chairperson: Jimmy T. Yaokasin, *Chairman of the Board*

Members: Emmanuel Veloso, *Independent Director*

Gopal Sham Daswani, *Independent Director*

Atty. Johnston R. Brusola, *Secretariat*

The Company, through the Board, has created various committees pursuant to the provisions of the Manual. The Company has also designated a Compliance Officer, who oversees compliance with the provisions of the Company's Manual. The Company has adopted the self-rating form prescribed by Securities and Exchange Commission.

To ensure compliance with the Company's Manual of Corporate Governance the following were adopted and enforced:

- a. Appointment of Compliance officer
- b. Creation of Board Committees
- c. Conduct of an orientation programs or workshop to operationalize the manual
- d. Attendance by all members of the Board of Directors in every Board Meeting
- e. Disclosure of all material information that could potentially affect the Corporation
- f. Filing of all required information for the interest of the stakeholders.

So far, there was no deviation from the Manual of Corporate Governance except for the following:

- a. Given the minimal operations and manpower of the Corporation, the Company has no professional development program in place at present and there was no perceived need for such program during the preceding calendar year.
- b. There are yet no written policies and strategic guidelines on major capital expenditures. Such policies and guidelines will be fleshed out after the Board has completed its reviews of the financial and operational aspects of the company.

The Company, however, is working on its systems and procedures to improve compliance with the Company's Manual.

On May 22, 2019, the members of the Board as well as officers of the Company attended the corporate governance seminar, entitled "Orientation Program for First Time Directors" conducted by the Philippine Corporate Enhancement & Governance Inc. held at the Dusit Thani, Ayala Center Makati City, Metro Manila. This is in compliance with SEC Memorandum Circulars No. 20-2013 and 2-2015 of the Securities and Exchange Commission.

On November 25, 2022, the Company's Compliance Officer attend the Webinar of the 9th SEC-PSE Corporate Governance Forum.

The Company will submit its Integrated Annual Corporate Governance Report (I-ACGR) for the year ended December 31, 2022, on or before May 30, 2023, in compliance with SEC Memorandum Circular No.15, Series of 2017.

PART V – EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

- a. **Exhibits** – See accompanying Index to Exhibits

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

- b. **Reports on SEC Form 17-C**

During the period covered by this report, the reports on 17-C Current filed with the Commission include the following:

DISCLOSURE DATE	TITLE
05-Jan-22	List of Top 100 Stockholders (Common Shares)
18-Jan-22	Public Ownership
19-Jan-22	Other SEC Forms, Reports and Requirements
10-Mar-22	Acquisition or Disposition of Assets
10-Mar-22	Amend-1 Acquisition or Disposition of Assets
06-Apr-22	Material Information/Transactions
06-Apr-22	Postponement of Annual Stockholder's Meeting
06-Apr-22	Notice of Annual Stockholders Meeting
11-Apr-22	List of Top 100 Stockholders
13-Apr-22	Public Ownership Report
18-Apr-22	Annual Report
13-May-22	Quarterly Report
18-May-22	Integrated Annual Corporate Governance Report
24-May-22	Information Statement
24-May-22	[Amend-1] Notice of Annual Stockholders Meeting

02-Jun-22	Information Statement
07-Jul-22	Statement of Changes in Beneficial Ownership of Securities
07-Jul-22	Change in Shareholdings of Directors and Principal Officers
11-Jul-22	Statement of Changes in Beneficial Ownership of Securities
11-Jul-22	Change in Shareholdings of Directors
12-Jul-22	List of Top 100 Stockholders (Common Shares)
12-Jul-22	Public Ownership Report
14-Jul-22	Results of Annual Stockholders Meeting
14-Jul-22	Results of Organizational Meeting of Board of Directors
18-Jul-22	Change in Shareholdings of Directors and Principal Officers
18-Jul-22	Statement of Changes in Beneficial Ownership and Securities
08-Aug-22	Quarterly Report
09 -Aug-22	Other SEC Forms, Reports and Requirements
14-Sep-22	Materials Information and Transactions
15-Sep-22	Change in Par Value
11-Oct-22	List of Top 100 Stockholders
17-Oct-22	Public Ownership Report
09-Nov-22	Quarterly Report

MRC ALLIED, INC.
SEC SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022

Consolidated Financial Statements

Page Number

Statements of Management's Responsibility for Financial Statements
Report of Independent Public Accountants
Consolidated Balance Sheets as of December 31, 2022 and 2021
Consolidated Statements of Income and Retained Earnings
For the Years Ended December 31, 2022 and 2021
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
Notes to Financial Statements

Supplementary Schedules

A. Marketable Securities- (Current Marketable Equity Securities and Other Short-Term Cash Investments)	N/A
B. Amounts Receivable from Directors, Officers, Employees Related Parties and Principal Stockholders (Other than Affiliates)	N/A
C. Non-Current Marketable Equity Securities, Other Long-Term Investments In Stock, and Other Investments	N/A
D. Indebtedness of Unconsolidated Subsidiaries and Affiliates	N/A
E. Intangible Assets-Other Assets	N/A
F. Long Term Debt	N/A
G. Indebtedness to Affiliates and Related Parties(Long-Term Loans From Related Companies)	N/A
H. Guarantees of Securities of Other Issuers	N/A
I. Capital Stock	1

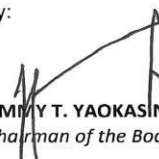
Supplementary Annex

M. Aging of Accounts Receivable

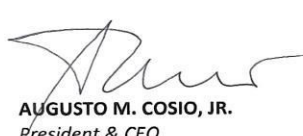
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 14 APR 2023.

By:


JIMMY T. YAOKASIN
Chairman of the Board


BERNARD B. RABANZO
Treasurer


AUGUSTO M. COSIO, JR.
President & CEO


FEDERICO P. PRIETO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 14 2023 day of April 2023 affiant exhibiting to me his/their Residents Certificates/TI, as follows:

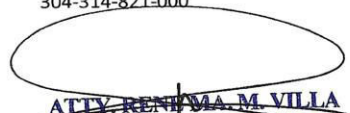
Name

JIMMY T. YAOKASIN
AUGUSTO M. COSIO, JR.
BERNARD B. RABANZO
FEDERICO P. PRIETO

TAX IDENTIFICATION NUMBER

129-683-430-000
168-603-906-000
165-995-731-000
304-314-821-000

Doc. No. 445
Page No. 90
Book No. 10
Series of 2023.


ATTY. RENILDA M. VILLA
Notary Public for Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 9565544; 01-03-2023; Makati City
IBP Lifetime No. 013595; 12-27-2013; I.C.
Roll No. 37226
MCLE Compliance No. VII-0024195; 11-15-2022
Ground Floor, Makati Terraces Condominium
3650 Davila St., Brgy. Tejeran, Makati City 1204

ANNEX I

**AGGREGATE MARKET VALUE OF VOTING STOCK
HELD BY TOP 10 NON-AFFILIATES
AS OF DECEMBER 31, 2022**

MRC's Top 20 Stockholders as of December 31, 2022 are as follows:

TOP	NAME	TOTAL SHARES	MARKET PRICE TOTAL
1	PCD Nominee Corporation	8,292,241,558	829,224,155.80
2	Pan Asia Securities Corp.	149,274,000	14,927,400.00
3	EMRO Holdings, Inc.	40,833,000	4,083,300.00
4	Philippine TA Sec., Inc.	3,750,000	375,000.00
5	Bayan Financial Brokerage	3,399,500	339,950.00
6	Bougainvillea Corporation	2,429,000	242,900.00
7	Lucky Securities, Inc.	1,878,000	187,800.00
8	William T. Gabaldon	1,850,000	185,000.00
9	Pua Yok Bing	1,000,000	100,000.00
10	Victor G. Sy	900,000	90,000.00
TOTAL		8,497,555,058	849,755,505.80

ANNEX II

AGING OF ACCOUNTS RECEIVABLE
AS OF DECEMBER 31, 2022

MRC Allied, Inc.
Aging of Accounts Receivable
As of December 31, 2022

	Total	1-3 mos	4-6 mos	7 mos to 1 year	1-2 years	3-5 years	Past Due Accts. & Items in Litigation
1) Type of Accounts Receivable:							
a) Trade Receivables	198,479			198,479		0	
Less: Allowance for Doubtful Accounts	0					0	
Net Trade Receivables	198,479			198,479		0	
b) Non- Trade Receivable:							
1. Advances							
Suppliers	0					0	
Officers & Employees	0					0	
2. Others	0					0	
Less: Allowance for Doubtful Accounts	0					0	
Net Non-Trade Receivables	0	0.00	0.00	0.00	0.00	0	
Net Receivable	0	0.00	0.00	0.00	0.00	0	

COVER SHEET

1	8	4	2	2	8						
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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. StreetCity/Town/Province)

Atty. Federico P. Prieto

(Contact Person)

(02) 8846-7910

(Company Telephone Number)

SUSTAINABILITY REPORT 2022

1	2
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3	1
---	---

Month Day
(Fiscal Year)

--	--	--	--	--

(Form Type)

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--	--

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

SEC

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

--	--

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

LCU

[illegible]

Document ID

Cashier

Cashier

S T A M P S

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MRC ALLIED, INC. SUSTAINABILITY REPORT Year-2022

Introduction

A Sustainability Report is a formal management communication document that provides internal and external stakeholders with all the information they need to rest assured that the organization is committed to sustainable development and growth. This Sustainability Report of MRC Allied Inc. consists of the following Company Profile; Governance, Ethics, & Compliance, Employees, Environment, Health, & Safety, Management Responsibility, Community Support, Economic Impacts, Sustainability Reporting.

Sustainability reporting also benefits stakeholders interested in an organization's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators, and policy makers. This promotes transparency and accountability, empowering stakeholders to make informed decisions and helps the company manage its economic, environmental, and social impacts. Sustainability reporting is a central element of modern corporate reporting, which includes strategy, governance and performance a company "should ensure that the material and reportable non-financial and sustainability issues are disclosed."

I. Sustainability at MRC

Our mission is to develop and implement projects, in partnership with our stakeholders both in the private and public sector, which advance shareholder's interests, promote employee welfare, and stimulate sustainable community development.

Founded in 1990, MRC Allied Inc. (MRC) is the first publicly listed property development firm in the Philippines that has found its niche in real estate development. In 1995, MRC listed its 500 million shares in the Philippine Stock Exchange (PSE) with an initial public offering of three pesos per share. In 2010, MRC diversified its business into the mining exploration industry. In 2015, MRC disclosed its plan to venture into the renewable energy sector and created a subsidiary that will carry out its clean energy projects.

On November 24, 2020, the Securities and Exchange Commission (SEC) approved the change in Primary purpose of the company from real estate business to a holding company.

Our extensive industry knowledge is the key to creating more value for our stakeholders and partners. Our key investment strategy is to stay ahead of the curve and be responsive to the market changes.

Our vision is to be a globally competitive company in pursuing investments that boost local industries and improve the lives of the common Filipino.

Our company wants to integrate sustainability efforts in our business operation. The goal of the company in this report is to document Company's progress on environmental and social impacts both internal and external. As a new start of the company we ensure that this interaction serves the environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development. Being a company recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Corporation to grow its business, while contributing to the advancement of the society where it operates. Our company value chain consists of inputs to the production/ implementation process, the production process itself and the resulting output.

Sustainable development means that the Corporation not only complies with existing regulations, but also voluntarily employs a value chain process that takes into consideration economic, environmental, social and governance issues and concerns. In considering sustainability concerns, the company plays an indispensable role alongside government and civil society in contributing solutions to complex global challenges like poverty, inequality, unemployment and climate change.

The materiality process of the company is about identifying the issues that matter most to our business and our stakeholders. For the past years, we plot the economic, social and environmental issues that are of most concern to our external stakeholders against those that pose risks or present opportunities to MRC.

In this report our Company is socially responsible in all its dealings with the communities where it operates. We ensure that this interaction serves the environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development. Being a company recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Corporation to grow its business, while contributing to the advancement of the society where it operates. Our company value chain consists of inputs to the production process, the production process itself and the resulting output.

Sustainable development means that the Corporation not only complies with existing regulations, but also voluntarily employs a value chain process that takes into consideration economic, environmental, social and governance issues and concerns. In considering sustainability concerns, the company plays an indispensable role alongside government and civil society in contributing solutions to complex global challenges like poverty, inequality, unemployment and climate change.

“ANNEX A” 2022 SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	MRC Allied Inc.
Location of Headquarters/Operations	4 th Flr. Spirit of Communications Centre 106 Carlos Palanca St., Legaspi Village Makati City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*Business Model, including Primary Activities, Brands, Products, and Services	MRC Allied Inc. is a publicly listed company in the Philippine Stock Exchange that holds a diversified portfolio in real estate development and mining and is currently pursuing renewable energy projects. Incorporated on November 20, 1990 and formerly known as Makilala Rubber Corporation, the activities of MRC have been primarily on processing and export of baled natural rubber. In 1993, MRC diversified into a real property development firm, more particularly, into township development. In 1995, MRC listed its entire 500 million shares in the Philippine Stock Exchange (PSE) through an initial public offering. Since 2000, MRC has continued to maintain its two eco-friendly properties in Cebu and Leyte. In 2010, MRC has ventured into the mining exploration industry acquiring mining assets located in various provinces in Mindanao with a total land area of 25,003 hectares. In 2015, the Company decided to diversify its portfolio into the energy sector and created its first Renewable Energy subsidiary - Menlo Renewable Energy Corporation. In 2017, MRC formally announced its new thrust and bared its plan to develop at least 1000MW of clean and renewable energy by 2022. On November 24, 2020 Securities and Exchange Commission approved the company application for the amendment of the primary purpose in its Articles of

	Incorporation from a real estate business to a holding company. On August 11, 2021, the Philippine Stock Exchange approved the Company's additional listing of Four Billion Three Hundred Eighty Seven Million Six Hundred Fifty Eight Thousand Nine Hundred Seventy Five (4,387,658,975) common shares or equivalent to Eight Hundred Seventy Seven Million Five Hundred Thirty One Thousand Seven Hundred Ninety Five (Php 877,531,795.00) the conversion of the advances at a conversion rate of Php0.20 par value per share .
Reporting Period	2022
Highest Ranking Person responsible for this report	Augusto M. Cosio, Jr. – President & CEO

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.¹⁴

The materiality process of the company is about identifying the issues that matter most to our business and our stakeholders. For the past years, we plot the economic, social and environmental issues that are of most concern to our external stakeholders against those that pose risks or present opportunities to MRC.

As a corporate citizen, it is our Company's continuing commitment to behave ethically and contribute to the economic development while improving the quality of life of its workforce, their families, our customers, our local communities, our government and society at large whilst committed to sustainability.

Economic Performance

As a corporate citizen, it is our Company's continuing commitment to behave ethically and contribute to the economic development while improving the quality of life of its workforce, their families, our customers, our local communities, our government and society at large whilst committed to sustainability.

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	2,284,546	PhP
Direct economic value distributed:		
a. Operating costs	23,068,833	PhP
b. Employee wages and benefits	13,632,420	PhP
c. Payments to suppliers, other operating costs	1,591,086	PhP
d. Dividends given to stockholders and interest payments to loan providers	<i>As of this date the company has no declaration of dividend to stockholders and interest payments to loan provider.</i>	PhP
e. Taxes given to government	400,724,025	PhP
f. Investments to community (e.g. donations, CSR)	<i>As part of our Corporate Social Responsibility (CSR) Program, MRC conduct a feeding program annually for street children sponsored by Canossa Foundation-Scoulla Della Guioa at Brgy 105, Radial Road 10, Tondo, Manila on 5 July 2018 (Thursday) The company started the feeding program since July 2017. On July31, 2019 the company organize the feeding program for this year activity. The company hopes to continue this feeding program annually to help less fortunate people. We encourage also the employees of the Company to continue</i>	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>It affects the total image of the company and affects the primary business of the company</i> <i>It affects the business relationship of the company since social involvement would have either a positive or negative impact on the shareholders</i>	<i>both public and private stakeholders can be affected</i>	<i>MRC shall continue its participation in charitable work and activities to share the company's accomplishments with the community</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>There is minimal risk to the company as it continues its part to contribute to the economic development of the country while improving the quality of life of its workforce and local communities</i>	<i>Public</i>	<i>Continue its mandate under AOI and this will eventually lead to a contribution to the society, both economically and socially</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Better opportunity to partner with company in the business industry and attract business investors</i>	<i>Both Public and Private</i>	<i>Continue its mandate under AOI and this will eventually lead to a contribution to the society, both economically and socially</i>

Climate-related risks and opportunities¹⁵

Climate risk pertains to a risks resulting from the effects of global warming. *Global warming* is a gradual increase in the overall temperature of the earth's atmosphere generally attributed to the greenhouse effect caused by increased levels of carbon dioxide, chlorofluorocarbons, and other pollutants.

The study of climate risk includes developing risk assessment and risk management strategies appropriate to global warming. The main aim of the company is to evaluate climate risks and exploring strategies for their prevention.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts ¹⁶ of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and Opportunities The Board Risk Oversight Committee oversee the climate related risk and opportunities and ensures that there is effective and integrated risk management is in place. The committee meets periodically and if the need arises to discuss they meet from time to time to discuss any material risk related transactions.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term The company tracks performance against our goals and adjust our plans as we learn and conditions evolve. Develop mitigation plans for climate related risk By providing oversight over Management's activities in climate related risk, managing credit, market, liquidity, operational, legal and other risk	a) Describe the organization's processes for identifying and assessing climate-related risks The Board Risk Oversight Committee conducts regular discussion on the Corporations prioritized and residual risk exposures based on regular management report and assesses how the concerned units or officers are addressing and managing this climate related risk.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk Management The company assess the climate-related risks and opportunities in line with the strategy and risk management by ensuring the Risk management framework is in place effectively, identify, monitor, assess and manage key business risk.

	exposures of the Corporation and evaluate effectiveness of the risk mitigation strategies and action plans whether in short, medium long term		
b) Describe management's role in assessing and managing climate-related risks and opportunities The Board and top management will be in the position to assess make a well -informed decisions, having into consideration the risk related to significant business activities especially in managing climate risk, plans and opportunities	b) Describe the impact of climate – related risks and opportunities on the organization's business, strategy and financial planning Reduce Revenue of the company Increase material & production cost It affects business operation of the company	b) Describe the organization's processes for managing climate-related risks The management usually meets monthly, quarterly and sometimes annually but if the needs arises with the climate risk related issues the management meets immediately to solve the issues with regard to this matter The company ensures that the policy and the officers involve are always available anytime to manage and processed climate related risk	c) Describe the targets used by the organization to manage climate – related risks and opportunities and performance against targets The company process that use to manage the climate related risk and opportunities is the Quantitative and Qualitative monitoring of resources
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario The organization's strategy is not to be	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management Management usually is presented with	

	fixed on a certain approach on dealing with climate-related risks. Every now and then, rules, regulations and technologies change in dealing with climate change and so must the organizations policies. It makes sures that it is updated with the current policies of the government in climate-related risks.	policies to how to approach said climate-related risks. Suggestions of personnel are also taken to account and presented to management and if agreed to be feasible, becomes part of the process in identifying the climate-related risk.	
--	---	--	--

¹⁵ Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

¹⁶ For this disclosure, impact refers to the impact of climate-related issues on the company.³

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	75	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach	
<i>It affects the total image of the company and affects the primary business of the company</i> <i>It affects the business relationship of the company since procuring equipment and materials would mean future partnerships with other companies</i>	Employees and suppliers	MRC to continue good business practice and improve relationships with other companies in the business	
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach	
The risk in procurement is meeting the deadline in delivering the supplies and payment schedules	Employees and suppliers	MRC to continue good business practice and improve relationships with other companies in the business	
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach	
Better equipment and supplies because of a competitive selection process	Suppliers	MRC to continue good business practice and improve relationships with other companies in the business	

NOTE:

All procurement procedures are undertaken by MRC's subsidiary, Menlo Renewable Energy Corp. (MREN)

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>The company has no record of corruption but if there would be any, it would be from the disbursement of funds from its day to day activities and on the operations side</i> <i>If there would be any corruption, it would greatly impact its business relationship with other companies and future investors</i>	<i>Employees and Suppliers</i> <i>Company, Community & Government</i>	<i>MRC to continue good business practice and continue its audit operations especially in disbursement of funds</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>If there is corruption in the company, this would greatly affect the integrity of the employees and eventually will affect the integrity of the company</i>	<i>Employees, private stakeholders and public stakeholders</i>	<i>MRC to continue good business practice and continue its audit operations especially in disbursement of funds</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Opportunity to correct auditing procedures</i>	<i>Employees, private stakeholders and public stakeholders</i>	<i>MRC to continue good business practice and continue its audit operations especially in disbursement of funds</i>

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	# 0
Number of incidents in which employees were dismissed or disciplined for corruption	0	# 0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	# 0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>The company has no record of corruption but if there would be any, it would be from the disbursement of funds from its day to day activities and on the operations side</i> <i>If there would be any corruption, it would greatly impact its business relationship with other companies and future investors</i>	<i>Employees and Suppliers</i>	<i>MRC to continue good business practice and continue its audit operations especially in disbursement of funds</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>If there is corruption in the company, this would greatly affect the integrity of the employees and eventually will affect the integrity of the company</i>	<i>Employees, private stakeholders and public stakeholders</i>	<i>MRC to continue good business practice and continue its audit operations especially in disbursement of funds</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Opportunity to correct auditing procedures</i>	<i>Employees, private stakeholders and public stakeholders</i>	<i>MRC to continue good business practice and continue its audit operations especially in disbursement of funds</i>

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	N/A	GJ
Energy consumption (gasoline)	N/A	GJ
Energy consumption (LPG)	N/A	GJ
Energy consumption (diesel)	N/A	GJ
Energy consumption (electricity)	8,600	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	N/A	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	N/A	GJ
Energy reduction (electricity)	N/A	kWh
Energy reduction (gasoline)	N/A	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>It would greatly impact the primary business of the company for its daily operations</i> <i>This would greatly impact the expenditures of the company for its day to day activities</i>	Employees	<i>Management monitors its consumption during its office hours and turns off all machines and lights that are not in use. Procurement of energy saving equipments and materials is also an option</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company</i>	Stakeholders and Employees	<i>Management monitors its consumption during its office hours and makes sure all equipment are running smoothly</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach

Installation of modern equipment to lessen consumption	Employees	Management monitors its consumption during its office hours and makes sure all equipment are running smoothly
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Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	0	Cubic meters
Water consumption	364.97	Cubic meters
Water recycled and reused	0	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>It would greatly impact the primary business of the company for its daily operations</i> <i>This would greatly impact the expenditures of the company for its day to day activities</i>	Employees	Management monitors its consumption during its office hours and turns of all machines that are not in use and making sure that there are no leaks in the water line. Procurement of energy saving equipments and materials is also an option
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company</i>	Stakeholders and Employees	Management monitors its consumption during its office hours and makes sure all equipment are running smoothly
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Installation of modern equipment to lessen consumption</i>	Employees	Management monitors its consumption during its office hours and makes sure all equipment are running smoothly

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
renewable	N/A	kg/liters
non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>It would greatly impact the primary business of the company for its daily operations and would also affect the expenditures of the company</i>	<i>Employees</i>	<i>Management monitors its expenses on office supplies especially the number of supplies of bond papers and folders. The bond papers which have been used primarily for documents but were rejected are being recycled as scratch papers</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company.</i>	<i>Stakeholders and Employees</i>	<i>Management monitors its consumption during its office hours and makes sure all expenditures for equipments and office supplies are accounted</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Inventory of materials and be able to check which are redundant</i>	<i>Stakeholders and Employees</i>	<i>Management monitors its consumption during its office hours and makes sure all expenditures for equipments and office supplies are accounted</i>

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites) N/A	
Habitats protected or restored	N/A	Ha.
IUCN ¹⁷ Red List species and national conservation list species with habitats in areas affected by operations	(list)As N/A	

¹⁷ International Union for Conservation of Nature

What is the impact and where does it occur? What is the	Which stakeholders are affected?	Management Approach
organization's involvement in the impact?		
<i>As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties</i>	<i>As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties</i>	<i>As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties</i>	<i>As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties</i>	<i>As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties</i>	<i>As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties</i>	<i>As of the moment, MRC does not have operational sites that has high biodiversity or have any protected areas in its properties</i>

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	0	Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions	0	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	0	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>It would greatly impact the primary business of the company and would affect the image of the company as a renewable energy company. This can either be caused by the organization or can be linked to impacts through its business relationship</i>	<i>Employees, Community and shareholders</i>	<i>Management monitors its electric consumption during its office hours and turns off all machines that are used and not used making sure that there are equipments run smoothly and properly. Procurement of energy saving equipments and materials is also an option.</i>

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company.</i>	Employees	Management monitors its electric consumption during its office hours and turns of all machines that are used and not used making sure that there are equipments run smoothly and properly. Procurement of energy saving equipments and materials is also an option.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Inventory of equipment, materials and be able to check which equipments are outdated and needs replacement</i>	Employees	Management monitors its electric consumption during its office hours and turns of all machines that are used and not used making sure that there are equipments run smoothly and properly. Procurement of energy saving equipments and materials is also an option.

Air pollutants

Disclosure	Quantity	Units
NO _x	0	kg
SO _x	0	kg
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	0	kg
Hazardous air pollutants (HAPs)	0	kg
Particulate matter (PM)	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>It would greatly impact the primary business of the company and would affect the image of the company as a renewable energy company. This can either be caused by the organization or can be linked to impacts through its business relationship.</i> <i>However, MRC has very minimal emissions of air pollutants as we only have airconditioners and one car that can be a source of these pollutants.</i>	Employees, Community and shareholders	Management monitors its electric consumption during its office hours and turns of all machines that are used and not used making sure that there are equipments run smoothly and properly. Procurement of energy saving equipments and materials is also an option. The company car is also well maintained to reduce contributing to air pollution

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company.</i>	<i>Employees, Community and shareholders</i>	<i>Management monitors its electric consumption during its office hours and turns of all machines that are used and not used making sure that there are equipments run smoothly and properly. Procurement of energy saving equipments and materials is also an option.</i>

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Inventory of equipment, materials and be able to check which equipments are outdated and needs replacement</i>	<i>Employees</i>	<i>Management monitors its electric consumption during its office hours and turns of all machines that are used and not used making sure that there are equipments run smoothly and properly. Procurement of energy saving equipments and materials is also an option.</i>

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	100 more or less	kg
Reusable	0	kg
Recyclable	0	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>It would greatly impact the primary business of the company and would affect the image of the company as a renewable energy company. This can either be caused by the organization or can be linked to impacts through its business relationship.</i> <i>However, MRC does not have any hazardous waste materials. Our waste mostly contains papers that are no longer in use.</i>	<i>Employees, Community and shareholders</i>	<i>Management monitors its office supply consumption like bond paper usage, printer cartridges and toner. Bond papers that can still be used are recycled as scratch papers. Folders and envelopes are not immediately thrown away and are also recycled if can still be used again.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company.</i>	<i>Employees, Community and shareholders</i>	<i>Management monitors its office supply consumption like bond paper usage, printer cartridges and toner. Bond papers that can still be used are recycled as scratch papers. Folders and envelopes are not immediately thrown away and are also recycled if can still be used again</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Inventory of equipment, materials and be able to check which equipments are outdated and needs replacement</i>	<i>Employees</i>	<i>Management monitors its office supply consumption like bond paper usage, printer cartridges and toner. Bond papers that can still be used are recycled as scratch papers. Folders and envelopes are not immediately thrown away and are also recycled if can still be used again</i>

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	0	kg
Total weight of hazardous waste transported	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.</i>	<i>MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.</i>	<i>MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.</i>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.</i>	<i>MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.</i>	<i>MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.</i>	<i>MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.</i>	<i>MRC does not have any hazardous waste materials. Our waste mostly contains papers and office supplies that are no longer in use.</i>

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	364.97	Cubic meters
Percent of wastewater recycled	1	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach	
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<i>It would greatly impact the primary business of the company and would affect the image of the company as a renewable energy company. This can either be caused by the organization or can be linked to impacts through its business relationship.</i>	<i>Employees, Community and shareholders</i>	<i>Management monitors its water supply consumption during office hours and checks if there are leaks in the water system. Faucet that are malfunctioning are replaced. After office hours, all faucets and machines are checked to make sure that all are turned off.</i>	
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What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
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<i>This would greatly impact the expenditures of the company for its day to day activities and would affect the image of the company as a renewable energy company.</i>	<i>Employees, Community and shareholders</i>	<i>Management monitors its water supply consumption during office hours and checks if there are leaks in the water system. Faucet that are malfunctioning are replaced. After office hours, all faucets and machines are checked to make sure that all are turned off.</i>
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What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
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<i>Inventory of equipment, materials and be able to check which equipments are outdated and needs replacement</i>	<i>Employees</i>	<i>Management monitors its water supply consumption during office hours and checks if there are leaks in the water system. Faucet that are malfunctioning are replaced. After office hours, all faucets and machines are checked to make sure that all are turned off.</i>
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Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>MRC has not been fined for non-compliance with environmental laws and regulations nor have the company been sanctioned for violation thereof. If a violation does occur, this would greatly impact the primary business of the company and would affect the image of the company as a renewable energy company. This can either be caused by the organization or can be linked to impacts through its business relationship.</i>	<i>Employees, Community and shareholders</i>	<i>Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>This would greatly impact the activities of the company and would affect the image of the company as a renewable energy company. This would put doubt on future investors if the company is serious in dealing with renewable energy projects.</i>	<i>Employees, Community and shareholders</i>	<i>Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify points in the policy of the company to comply with existing rules and regulations and to better the company as a new entity in the renewable energy business</i>	<i>Employees</i>	<i>Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or</i>

<i>portfolio. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors</i>		<i>compliances that the company needs to comply and abide</i>
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SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ¹⁸	13	
a. Number of female employees	5	#
b. Number of male employees	8	#
Attrition rate ¹⁹		rate
Ratio of lowest paid employee against minimum wage	0	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Yes	20%	9%
PhilHealth	Yes	0	18%
Pag-ibig	Yes	20%	0
Parental leaves	Yes	0	0
Vacation leaves	Yes	100%	100%
Sick leaves	Yes	100%	100%
Medical benefits (aside from PhilHealth))	No	0	0
Housing assistance (aside from Pag-ibig)	No	0	0
Retirement fund (aside from SSS)	Yes	0	0
Further education support	No	0	0
Company stock options	No	0	0
Telecommuting	Yes	0	0
Flexible-working Hours	No	0	0
(Others)		0	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>The company complies with required the government benefits for its employees. Non-compliance with the required government benefits could result in a sanctioned activity by the company. Any violation of the said benefits would greatly impact the primary business of the company and would affect the image of the company as a whole. This can either be caused by the organization or can be linked to impacts through its business relationship.</i>	<i>Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and brings up any issue with regard to employee benefits during management committee meeting.</i>

¹⁸ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

¹⁹ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

What are the Risk/s Identified?	Management Approach
<i>This would put the company at risk in paying hefty fines. Worse, the company can be closed down due to non-compliance on the regulation on employee benefits. This could tarnish the image of the company and the investors and shareholders may pull out with the company.</i>	<i>Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and brings up any issue with regard to employee benefits during management committee meeting</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Identify points in the policy of the company to comply with existing rules and regulations and to better the company in complying with the benefits of its employees.</i>	<i>Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and brings up any issue with regard to employee benefits during management committee meeting</i>

Employee Training and Development

Disclosure	Quantity	Units
	2022	
Total training hours provided to employees		
a. Female employees	120.5	hours
b. Male employees	134.5	hours
Average training hours provided to employees		
a. Female employees	33.93	At least 8 hours/employee
b. Male employees	32.56	At least 8 hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>MRC continues to let their employees attend seminars and training in order for the employees growth and widen the knowledge with regard to its business. Limiting the participation of the employees to its would also limit their growth. And limiting their growth would also mean limited growth of the company for a company is good only as the people that comprise it. Without the trainings impact the business of the company. This can either be caused by the organization or can be linked to impacts through its business relationship.</i>	<i>Management assures that employees get the training and exposure they need to further their knowledge in the field of their expertise.</i>
What are the Risk/s Identified?	Management Approach

<i>Other than the growth of the company in confining the knowledge of the employees, the company may be sanctioned to non-compliance of attending a mandated training or seminar required by the SEC or PSE.</i>	<i>The company monitors and brings up any issue with regard to mandatory employee training and seminars.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Trainings and seminars would further develop the employees communication skills, gaining expert knowledge, networking with others, as well as renewing motivation and confidence. It gives employees ideas on new aspects of the business.</i>	<i>The company monitors and brings up any issue with regard to mandatory employee training and seminars.</i>

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	N/A	%
Number of consultations conducted with employees concerning employee-related policies	13	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>MRC has no union so the company does not have any collective bargaining agreement. The company has a employees handbook that was updated and edited by consulting the employees of the company. Policies that are vague and unclear to the employees leads to confusion and eventually would demoralize the employees. This would decrease their productivity and eventually resign and turnover of employees would be high. This would affect the business of the company as there would be no consistency to the people that runs the company. This can either be caused by the organization or can be linked to impacts through its business relationship.</i>	<i>Management makes sure that the employees are consulted and advised to any changes in the policy of the company. Grievance mechanism should be open and available under the HR department to hear the side of the employees.</i>
What are the Risk/s Identified?	Management Approach
<i>Policies that are vague and unclear to the employees leads to confusion and eventually would demoralize the employees. This would decrease their productivity and eventually resign and turnover of employees would be high. This would affect the business of the company as there would be no consistency to the people that runs the company.</i>	<i>Management makes sure that the employees are consulted and advised to any changes in the policy of the company. Grievance mechanism should be open and available under the HR department to hear the side of the employees</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Constant consultation will lessen the uneasiness of the employees as they have a voice when it comes to company policies and labor related policies.</i>	<i>Management makes sure that the employees are consulted and advised to any changes in the policy of the company. Grievance mechanism should be open and available under the HR department to hear the side of the employees</i>

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	5	100%
% of male workers in the workforce	8	100%
Number of employees from indigenous communities and/or vulnerable sector*	1 (solo parent)	#
		#

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
MRC maximizes the potential of all employees by valuing diversity and neither does the company discriminate against race, sex, sexual orientation, gender identity, religion, or whether they have a genetic disorder or social standing. Every applicant and employee went through the same process of hiring regardless whether he is within a certain class, religion, gender, disability or marital status. Discrimination is an unhealthy environment in a work place and it lessens the productivity of employees and demoralizes them. This would eventually lead to resignation and turnover of employees would be high. This would affect the business of the company as a whole. This can either be caused by the organization or can be linked to impacts through its business relationship.	Management makes sure that no discrimination shall occur in the company. Management makes sure that all employees have access to equal opportunities regardless of class, age, gender, race, sexual orientation, religious belief or disability. At the same time, employees are consulted and advised to any changes in the policy of the company.
What are the Risk/s Identified?	Management Approach
Non-acceptance of diversity in the office may arise to conflicts. These conflicts can turn to intense arguments between officemates and in a worst case scenario, it may lead to violence. Without equal opportunity, employees may resign early and turnover of manpower would be high that could also affect the company. However, diversity also may give rise to conflict due to differences in beliefs, customs, opinions, and tradition.	Management suggests that each and every employee learn to accept and respect each other. Once they learn to respect each other, sharing of ideas would be much better appreciated and collaboration between departments would be better.
What are the Opportunity/ies Identified?	Management Approach
Diversity and equal opportunity adds new skills to workers and employees and in turn promotes innovation. Because of the talents and skills of different persons brought about by its diversity, sharing ideas between one another, the team creates better and innovative ideas.	Management suggests that each and every employee learn to accept and respect each other. Once they learn to respect each other, sharing of ideas would be much better appreciated and collaboration between departments would be better.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	8	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>MRC has no work-related injuries and fatalities. However, being ill does not mean that the employee is overworked. Weather conditions also is a factor together with stress. MRC makes sure that if an employee is feeling under the weather, they can always opt not to go to work and instead file a sick leave. It is best for everyone to report to work healthy in order for everyone to function properly. Any work-related injuries or fatalities would definitely affect the business of the company as a whole as this would mean that the company is not aware of the safety of its employees. This can either be caused by the organization or can be linked to impacts through its business relationship.</i>	<i>Management monitors its employees whether they are in good working condition or not. Management makes sure that the employees are in good working condition and refrains from exposing them to hazardous conditions.</i>
What are the Risk/s Identified?	Management Approach
<i>Allowing the employees to work in a hazardous environment would result in a sanctioned activity by the DOLE. Having work-related injuries would mean that the company has no safety precautions in its employees working environment. This would result to a violation of any regulation made by the NLRC and DOLE. This would result to a bad reputation to the company and would affect its future dealings with potential partners, clients and investors.</i>	<i>Management monitors its employees whether they are in good working condition or not. Management makes sure that the employees are in good working condition and refrains from exposing them to hazardous conditions.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>The company can review its manual for its employees and be able to improve its working environment and be able to prevent any work-related mishaps.</i>	<i>Management monitors its employees whether they are in good working condition or not. Management makes sure that the employees are in good working condition and refrains from exposing them to hazardous conditions.</i>

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor <i>The Company has made it a strict policy to hire individuals solely on the basis of their personal qualifications. No individual shall be barred from employment in the Company because of race, gender, color, nationality or religious belief, provided that this is in conformity with the laws of the Philippine government. Only where the national interest so demands will the Company abrogate this policy.</i> <i>The Company recognizes its responsibility to safeguard as far as practicable the health and safety at work of all our staff members. This responsibility will form an integral part of our work activities. Pursuant to this policy, the Company undertakes to comply with the requirements of all relevant regulations; provide and maintain plans and systems at work, that are as far as reasonably practicable, safe and without risks to health by providing adequate heating, lighting, ventilation, seating and sanitary facilities; provide and maintain, safe access/exit to and from the place of work; and provide necessary training, information, instructions and supervision to ensure that all staff members are aware of and adhere to safety guidelines and regulations.</i> <i>Ref. MRC Employees Manual</i>	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace? **NONE**

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>MRC does not practice and have ever entered to forced labor or child labor. The company respects the basic rights and freedom each of our employee have. This is also why we diversity in our working environment is established because we respect each persons freedom of expression, right to life, liberty and property, and recognition of workers right. Any violation to the DOLE and NLRC guidelines as well the basic rights of an employee would definitely affect the business of the company as a whole as this would mean that the company is does not respect its employees. This can either be caused by the organization or can be linked to impacts through its business relationship.</i>	<i>Management makes sure that the company abides by the rules and regulation set by DOLE. The management also tries to map out existing policies to identify human rights coverage and update its policy when needed and cover gaps that have been identified.</i>
What are the Risk/s Identified?	Management Approach
<i>Having forced labor and child labor would result in a sanctioned activity by the DOLE. And violation of basic human right would result in an unhealthy working environment. Employees will not be working as one and will be in constant conflict with each other. No coherence in the workplace will result in an unproductive company. This would result to a bad reputation to the company and would affect its future dealings with potential partners, clients and investors</i>	<i>Management makes sure that the company abides by the rules and regulation set by DOLE. The management also tries to map out existing policies to identify human rights coverage and update its policy when needed and cover gaps that have been identified.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>The company can review its manual for its employees and be able to improve its working environment. Management also tries to map out existing policies to identify human rights coverage and update its policy when needed and cover gaps that have been identified.</i>	<i>Management makes sure that the company abides by the rules and regulation set by DOLE. The management also tries to map out existing policies to identify human rights coverage and update its policy when needed and cover gaps that have been identified.</i>

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Reference is made in the selection/bidding
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	Y	The supplier signs an NDA/Oath of Integrity

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>Environmental performance, forced labor, child labor, human rights, bribery and corruption have already been discussed previously. It would greatly impact the primary business of the company and would affect the image of the company as a renewable energy company. This can either be caused by the organization or can be linked to impacts through its business relationship.</i>	<i>Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>

What are the Risk/s Identified?	Management Approach
<i>This would greatly impact the activities of the company and would affect the image of the company as a renewable energy company. This would put doubt on future investors if the company is serious in dealing with renewable energy projects.</i>	<i>Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Identify points in the policy of the company to comply with existing rules and regulations and to better the company as a new entity in the renewable energy business portfolio. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors</i>	<i>Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
None	None	None	No	None	None

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____

Certificates	Quantity	Units
FPIC process is still undergoing	0	#
CP secured	0	#

What are the Risk/s Identified?	Management Approach
<i>As of now, the company has no projects that affected any indigenous people. However, the regulations setup by the government and the rights of the IP are not respected, the company would suffer an injury. This would greatly impact the activities of the company and would affect the image of the company as a renewable energy company. This would put doubt on future investors if the company is serious in dealing with renewable energy projects.</i>	<i>Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Identify points in the policy of the company to comply with existing rules and regulations and to better the company as a new entity in the renewable energy business portfolio. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors</i>	<i>Management assures and make sure that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		No

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
MRC take notes of the clients satisfaction of the services rendered by the company. This also goes hand in hand in with partners of the company to any business it deals into. Knowing whether they are good with the services we have provided will help us improve the company. Unfavorable customer satisfaction will affect the total image of the company and affects the primary business of the company It affects the business relationship of the company since customer satisfaction would have either a positive or negative impact on the shareholders	Management updates the concerned departments if there are any issues with any clients or partners. It also updates its policies in order to better services to its clients and partners.
What are the Risk/s Identified?	Management Approach
Unfavorable customer satisfaction will affect the total image of the company and affects the primary business of the company. It will also affect the business relationship of the company since customer satisfaction would have either a positive or negative impact on the shareholders	Management updates the concerned departments if there are any issues with any clients or partners. It also updates its policies in order to better services to its clients and partners
What are the Opportunity/ies Identified?	Management Approach
Identify points in the policy of the company to better serve the needs of its clients and partners. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors.	Management updates the concerned departments if there are any issues with any clients or partners. It also updates its policies in order to better services to its clients and partners

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#0
No. of complaints addressed	0	#0

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>MRC has no substantiated complaints on product or service health and safety. Any complaints related to health and safety or products would definitely affect the business of the company as a whole as this would mean that the company is not aware of the safety of its employees. This can either be caused by the organization or can be linked to impacts through its business relationship.</i>	<i>Management assures and make sure that the products that the company is using in its projects are of top quality or on par with other top-quality products. Management makes sure that the employees are in good working condition and refrains from exposing them to hazardous conditions.</i>
What are the Risk/s Identified?	Management Approach
<i>Any complaints related to health and safety or products would definitely affect the business of the company as a whole as this would mean that the company is not aware of the safety of its employees. This can either be caused by the organization or can be linked to impacts through its business relationship.</i>	<i>Management assures and make sure that the products that the company is using in its projects are of top quality or on par with other top-quality products. Management makes sure that the employees are in good working condition and refrains from exposing them to hazardous conditions.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Identify points in the policy of the company to better serve the needs of its clients and partners. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors.</i>	<i>Management assures and make sure that the products that the company is using in its projects are of top quality or on par with other top-quality products. Management makes sure that the employees are in good working condition and refrains from exposing them to hazardous conditions.</i>

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>MRC has no substantiated complaints on marketing and labelling. As a listed company, MRC discloses any information that may affect the investing public. Any complaints related to marketing and labelling would definitely affect the business of the company as a whole as this would mean that the company is not properly informing the investing public. This will confuse the potential investors and stockholders and would definitely affect the company as whole. This can either be caused by the organization or can be linked to impacts through its business relationship.</i>	<i>Management makes it a point that the clients are well informed of the project they entered into. They are given updates when the project is being built and is constantly being reminded of how to operate the business. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>
What are the Risk/s Identified?	Management Approach
<i>Any complaints which can be linked to marketing and labeling will definitely affect the business of the company as a whole as this would mean that the company is not disclosing the information to the investing public. This can either be caused by the organization or can be linked to impacts through its business relationship</i>	<i>Management makes it a point that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Identify points in the policy of the company to better serve the needs of its clients and partners in disclosing information relative to its business activity. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors.</i>	<i>Management makes it a point that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>MRC has no substantiated complaints on customer privacy. MRC makes sure that clients and partners are satisfied by the services and performance done by the company. Any complaints by clients and/or customers will definitely affect the business of the company as a whole as this would mean that the company is not properly doing its job properly. This will put doubt on the potential investors and stockholders and would definitely affect the company as whole. This can either be caused by the organization or can be linked to impacts through its business relationship</i>	<i>Management assures and make sure that the company discloses any information that the investing public should know. Management makes it a point that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>
What are the Risk/s Identified?	Management Approach
<i>Any complaints which can be linked to marketing and labeling will definitely affect the business of the company as a whole as this would mean that the company is not disclosing the information to the investing public. This can either be caused by the organization or can be linked to impacts through its business relationship</i>	<i>Management assures and make sure that the company discloses any information that the investing public should know. Management makes it a point that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>
What are the Opportunity/ies Identified?	Management Approach
<i>Identify points in the policy of the company to better serve the needs of its clients and partners relative to its business activity. This would also give opportunity to explore the current portfolios of the company and be able to partner with companies in the business industry and attract business investors.</i>	<i>Management assures and make sure that the company discloses any information that the investing public should know. Management makes it a point that the company complies with the existing rules and regulations of all government agencies concerned. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<i>There have been no data breach or leaks with regard to the documents and information pertinent to the business of the company or information of its personnel, clients or partners. The company makes sure that the data that it has is secured and cannot be accessed just by anyone. Certain personnel have only access to particular documents. If there arises a data security breach, this will put doubt on the potential investors and stockholders and would definitely affect the company as whole. This can either be caused by the organization or can be linked to impacts through its business relationship.</i>	<i>Management assures and make sure that the company's information on its projects, personnel, clients and partners are secured and cannot be accessed by anyone. Only certain personnel have access to certain to limit any leakage of information and sensitive materials and documents. It monitors and updates each department of any news or compliances that the company needs to comply and abide.</i>

What are the Risk/s Identified?	Management Approach
Any breach of information will definitely affect the business of the company as a whole as this would mean that the company is not taking into steps in securing the information that it has with its projects, personnel, clients and partners. This will put serious doubt on the company in handling sensitive information and in turn will affect those investing in the company, stockholders and potential clients and partners.	Management assures and make sure that the company's information on its projects, personnel, clients and partners are secured and cannot be accessed by anyone. Only certain personnel have access to certain to limit any leakage of information and sensitive materials and documents. It monitors and updates each department of any news or compliances that the company needs to comply and abide.
What are the Opportunity/ies Identified?	Management Approach
Identify points in the policy of the company to better secure its data.	Management assures and make sure that the company's information on its projects, personnel, clients and partners are secured and cannot be accessed by anyone. Only certain personnel have access to certain to limit any leakage of information and sensitive materials and documents. It monitors and updates each department of any news or compliances that the company needs to comply and abide.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Solar PV Rooftop panels	Renewable Energy	The production technology for solar pv panels (which are used to convert energy into power) requires relatively high energy outputs.	Ensure the availability of RE resources and sustainable management of RE products.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

-End of Report-

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE
CONSOLIDATED FINANCIAL STATEMENTS**

The Management of MRC Allied, Inc (the "Parent Company") and Subsidiaries (collectively, the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the scheduled attached therein, as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

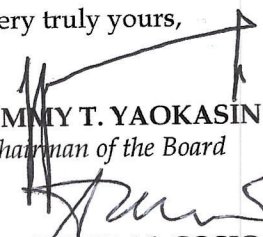
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

The Board of Directors is responsible in overseeing the Group's financial reporting process.

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

Reyes Tacandong & Co., the independent auditors appointed by the stockholders, have audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Very truly yours,


JIMMY T. YAOKASIN
Chairman of the Board


AUGUSTO M. COSIO JR.
President & Chief Executive Officer


BERNARD B. RABANZO
Chief Financial Officer

Signed this 12th day of April 2023

JOC NO. 202
PAGE NO. 59
BOOK NO. 25
SERIES OF 2023

SUBSCRIBED & SWORN TO BEFORE ME THIS 13 APR 2023
DAY OF _____ AFFIANT EXHIBITING TO ME HIS ID
JIMMY T. YAOKASIN 129-683-430 AS PROOF OF IDENTITY
AUGUSTO M. COSIO JR. 168-603-806
BERNARD B. RABANZO 167-995-731

ATTY. ROMEO M. MONFORT
NOTARY PUBLIC City of Makati

Until December 31, 2023

Appointment No. M-172

PTR No. 9563521/ Jan. 3, 2023

IBP No. 178089/ 2-14-22 Pasig City

MCLE NO. VI-0023417 Roll No. 27932

136 Amoroso St., Legaspi Village, Makati City

for
AUDITED FINANCIAL STATEMENTS

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[illegible][illegible]

A	A	C	F	S
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C	R	M	D
---	---	---	---

N	/	A
---	---	---

COMPANY INFORMATION		
Group's Email Address	Group's Telephone Number/s	Mobile Number
helen.quiamno@mrcallied.com	8 846-7910	0908-738-0854
No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
629	Second Monday of May	December 31

CONTACT PERSON INFORMATION			
The designated contact person <u>MUST</u> be an Officer of the Corporation			
Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Bernard B. Rabanzo	renz.rabanzo@mrcallied.com	6328 846-7910	0905-229-7562

CONTACT PERSON'S ADDRESS
5/F Eurovilla 4 Bldg., 853 A. Arnaiz Avenue, Makati City

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



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
MRC Allied, Inc. and Subsidiaries
5/F Eurovilla 4 Bldg.
853 A. Arnaiz Avenue, Makati City

Opinion

We have audited the accompanying consolidated financial statements of MRC Allied, Inc. and Subsidiaries (the Group), a subsidiary of Menlo Capital Corporation, which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2022, 2021 and 2020, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2022, 2021 and 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

As discussed in Note 1 to the consolidated financial statements, the Group has no significant revenue generating activity and has incurred significant expenses as it continues to explore and develop potential business ventures. As at December 31, 2022 and 2021, the Group's current liabilities exceeded its current assets by ₱775.2 million and ₱975.1 million, respectively.

These factors may cast a significant doubt on the ability of the Group to continue as a going concern.



The Group's stockholders, however, have continued to provide financial support to sustain the Group operations and to meet its maturing obligations. Moreover, the Group has significant real estate properties, and business development plans to generate revenues and sustain operations over time.

The Group's investment properties in Naga City, Cebu and San Isidro, Leyte have aggregate carrying amount of ₱2,158.6 million and ₱2,075.2 million as at December 31, 2022 and 2021, respectively, which the Group intends to realize through either outright sales or joint venture with property developers. The Group also has acquired a solar photovoltaic (PV) project for a rice milling plant in Northern Luzon, and has a 15% ownership in Sulu Electric Power and Light (Philippines) Inc., which owns and operates a 50 megawatt solar project in Palo, Leyte. In line with the Group's direction to focus on renewable energy projects, the Group has entered into a Memorandum of Agreement with a third party for the sale of its exploration and evaluation assets with a carrying amount of ₱231.7 million for ₱750.0 million in 2022.

To diversify its investment portfolio, the Group has started exploring business ventures in technology and digital solutions, and Information and Communication Technology. In February 2023, the Group entered into a Memorandum of Agreement with Menlo Capital Corporation (MCC) to acquire 500,000,000 shares of Philippine Telegraph and Telephone Corporation (PT&T) held by MCC, equivalent to 33% ownership.

The Group has re-affirmed its plan to issue 1,428,571,428 shares, at ₱0.10 par value a share or equivalent to ₱142.9 million, at the issue price of ₱0.70 a share or equivalent to ₱1,000.0 million, through a private placement to finance the Group's current pipeline of investment acquisitions including the purchase of PT&T shares.

These business development plans are further discussed in Note 1 to the consolidated financial statements.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Determining the Fair Value of Investment Properties

The Group's investment properties amounting to ₱2,158.6 million as at December 31, 2022 were measured using the fair value model. The fair value measurement of these investment properties is significant to our audit because the investment properties represent about 80.0% of the Group's total assets as at December 31, 2022.



The determination of the fair value of the investment properties has high estimation uncertainty, is highly dependent on judgment and requires the involvement of an independent appraiser. Our audit procedures included, among others, the evaluation of the competence, capabilities and objectivity of the appraiser, and the evaluation of the relevance and reasonableness of the assumptions used in the valuation which involves comparison of selling price used in the valuation with the recently transacted prices of comparable properties located in the same vicinity as the Group's investment properties. We also assessed the adequacy of the disclosures in Notes 2, 3, and 4 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditors' report thereon.

The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 audits 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



- 5 -

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 audits.

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.

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

The engagement partner on the audit resulting in this independent auditors' report is Michelle R. Mendoza-Cruz.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 9564565

Issued January 3, 2023, Makati City

April 12, 2023

Makati City, Metro Manila

MRC ALLIED, INC. AND SUBSIDIARIES
(A Subsidiary of Menlo Capital Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2022	2021
ASSETS			
Current Assets			
Cash in banks		P346,290	P708,714
Trade receivables	10	198,479	363,016
Due from related parties	9	19,258,527	19,001,807
Asset held for sale	10	231,749,591	–
Other current assets	6	7,325,840	7,515,232
Total Current Assets		258,878,727	27,588,769
Noncurrent Assets			
Financial asset at fair value through other comprehensive income	6	255,250,000	255,250,000
Investment properties	4	2,158,624,000	2,075,249,000
Property and equipment	5	25,665,471	27,256,557
Exploration and evaluation assets	10	–	231,749,591
Total Noncurrent Assets		2,439,539,471	2,589,505,148
		P2,698,418,198	P2,617,093,917
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	8	P717,174,796	P703,891,235
Loans payable - net of noncurrent portion	7	25,605,794	25,695,767
Due to a related party	9	291,259,606	273,142,087
Total Current Liabilities		1,034,040,196	1,002,729,089
Noncurrent Liabilities			
Security deposit	10	4,187,500	4,437,500
Retirement liability	13	13,623,425	11,940,204
Deferred tax liabilities	14	400,724,025	379,880,275
Noncurrent portion of loans payable	7	–	415,871
Total Noncurrent Liabilities		418,534,950	396,673,850
Total Liabilities		1,452,575,146	1,399,402,939
Equity			
Capital stock		851,265,898	851,265,898
Retained earnings		394,577,154	366,425,080
Total Equity		1,245,843,052	1,217,690,978
		P2,698,418,198	P2,617,093,917

See accompanying Notes to Consolidated Financial Statements.

MRC ALLIED, INC. AND SUBSIDIARIES
(A Subsidiary of Menlo Capital Corporation)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2022	2021	2020
SERVICE REVENUES	10	₱2,284,546	₱2,474,252	₱1,602,495
DIRECT COST	5	1,184,956	1,403,170	1,152,947
GROSS PROFIT		1,099,590	1,071,082	449,548
GENERAL AND ADMINISTRATIVE EXPENSES	11	23,068,833	24,364,021	22,664,701
FINANCE INCOME (COST)				
Interest expense and penalties	7	(12,399,288)	(15,688,327)	(15,646,199)
Interest income		351	615	296
		(12,398,937)	(15,687,712)	(15,645,903)
OTHER INCOME (CHARGES)				
Gain on fair value changes of investment properties	4	83,375,000	220,646,000	1,291,797,617
Net provision for impairment and probable losses	6	—	(23,610,644)	(19,741,704)
		83,375,000	197,035,356	1,272,055,913
INCOME BEFORE INCOME TAX		49,006,820	158,054,705	1,234,194,857
PROVISION FOR (BENEFIT FROM) INCOME TAX	14			
Current		10,996	10,711	8,991
Deferred		20,843,750	(9,782,255)	387,539,285
		20,854,746	(9,771,544)	387,548,276
NET INCOME		28,152,074	167,826,249	846,646,581
OTHER COMPREHENSIVE INCOME		—	—	—
TOTAL COMPREHENSIVE INCOME		₱28,152,074	₱167,826,249	₱846,646,581
BASIC/DILUTED EARNINGS PER SHARE	15	₱0.003	₱0.020	₱0.099

See accompanying Notes to Consolidated Financial Statements.

MRC ALLIED, INC. AND SUBSIDIARIES**(A Subsidiary of Menlo Capital Corporation)****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Years Ended December 31		
	2022	2021	2020
CAPITAL STOCK - ₱0.10 par value			
Authorized - 15,000,000,000 shares			
Issued and outstanding - 8,512,658,975 shares	₱851,265,898	₱851,265,898	₱851,265,898
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year	366,425,080	198,598,831	(648,047,750)
Net income	28,152,074	167,826,249	846,646,581
Balance at end of year	394,577,154	366,425,080	198,598,831
	₱1,245,843,052	₱1,217,690,978	₱1,049,864,729

MRC ALLIED, INC. AND SUBSIDIARIES
(A Subsidiary of Menlo Capital Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱49,006,820	₱158,054,705	₱1,234,194,857
Adjustments for:				
Gain on fair value changes of investment properties	4	(83,375,000)	(220,646,000)	(1,291,797,617)
Interest expense and penalties	7	12,399,288	15,688,327	15,646,199
Retirement benefits expense	13	1,683,221	1,576,117	1,101,090
Depreciation and amortization	5	1,591,086	2,188,478	2,295,288
Interest income		(351)	(615)	(296)
Impairment losses - net	6	—	23,610,644	19,741,704
Operating loss before working capital changes		(18,694,936)	(19,528,344)	(18,818,775)
Decrease (increase) in:				
Trade receivables		164,537	(199,590)	(50,884)
Other current assets		189,392	25,253	(305,185)
Increase (decrease) in:				
Trade and other payables		1,113,845	799,012	(97,341)
Security deposit		(250,000)	(250,000)	(270,833)
Net cash used for operations		(17,477,162)	(19,153,669)	(19,543,018)
Interest paid		(228,906)	(155,856)	—
Income tax paid		(11,662)	(19,036)	(2,660)
Interest received		351	615	296
Net cash used in operating activities		(17,717,379)	(19,327,946)	(19,545,382)
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances made to related parties	9	(256,720)	(5,765,357)	(1,942,662)
Additions to property and equipment	5	—	(1,658,910)	(3,917,261)
Cash used in investing activities		(256,720)	(7,424,267)	(5,859,923)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Advances from a related party	9	18,117,519	24,822,133	25,845,657
Loan availment	7	—	1,401,600	—
Payment of loans payable	7	(505,844)	(289,962)	—
Net cash provided by financing activities		17,611,675	25,933,771	25,845,657
NET INCREASE (DECREASE) IN CASH IN BANKS		(362,424)	(818,442)	440,352
CASH IN BANKS AT BEGINNING OF YEAR		708,714	1,527,156	1,086,804
CASH IN BANKS AT END OF YEAR		₱346,290	₱708,714	₱1,527,156
NONCASH FINANCIAL INFORMATION				
Reclassification of exploration and evaluation assets to asset held for sale	10	₱231,749,591	₱—	₱—
Reclassification of real estate projects to investment property		—	—	1,854,603,000

See accompanying Notes to Consolidated Financial Statements.

MRC ALLIED, INC. AND SUBSIDIARIES
(A Subsidiary of Menlo Capital Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2022 AND 2021
AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

1. Corporate Information

General Information

MRC Allied, Inc. (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 20, 1990. Its shares are publicly traded in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in the business of a holding company, and for that purpose either in the name of the Company or in the name of any other company.

On May 7, 2021, the Parent Company's Board of Directors (BOD) approved the amendment to the Articles of Incorporation (AOI) to change the Parent Company's principal business address to 4th Floor Spirit of Communication Centre 106 Carlos Palanca St., Legaspi Village, Makati City. Moreover, on September 13, 2022, the BOD approved another amendment to the AOI to increase the par value of Parent Company shares from ₱0.10 a share to ₱1.00 a share. As at the date of the approval and issuance of these consolidated financial statements, the Parent Company has not yet submitted the application for the amended AOI with the SEC.

The Parent Company is 50.8% owned by Menlo Capital Corporation (MCC or Ultimate Parent), a company incorporated and domiciled in the Philippines and is engaged in the business of investment house. On May 19, 2021, the Parent Company has obtained the approval of the PSE for the additional listing of 4,387,658,975 shares owned by MCC with listing date of August 13, 2021. However, these shares were subjected to a mandatory lock up period of 180 days from the date of listing. Starting February 10, 2022, these shares are eligible for trading in the PSE following the expiration of the 180-day lock up period on February 9, 2022.

The total shares of the Parent Company owned by the public represent 49.1% and 48.4% of the total shares issued and outstanding as at December 31, 2022 and 2021, respectively.

As at December 31, 2022 and 2021, the Parent Company's subsidiaries which were incorporated and domiciled in the Philippines are as follows:

	Year of Incorporation	Nature of Business	% of Ownership
Menlo Renewable Energy Corporation (MREN)	2015	Renewable energy	100
MRC Tampakan Mining Corporation (MRC Tampakan)	2011	Mining	100
MRC Surigao Mines, Inc. (MRC Surigao)	2011	Mining	100
		Processing and export of natural rubber products	
Makrubber Corporation (Makrubber)	1990		100

Makrubber ceased commercial operations in 2011.

MRC Tampakan and MRC Surigao have not yet started commercial operations. MREN has a capitalization of ₱35.0 million, while MRC Surigao and MRC Tampakan have a capitalization of ₱5.0 million each.

Approval of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020 were approved and authorized for issuance by the BOD, as approved and endorsed by the Audit Committee, on April 12, 2023.

Status of Operations

The Group has no significant revenue generating activity and has incurred significant expenses as it continues to explore and develop potential business ventures. The Group's current liabilities has also exceeded its current assets by ₱775.2 million and ₱975.1 million as at December 31, 2022 and 2021, respectively.

These factors indicate material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The Group has investment properties in Naga City, Cebu and San Isidro, Leyte with aggregate carrying value of ₱2,158.6 million and ₱2,075.2 million as at December 31, 2022 and 2021, respectively. The Group intends to realize these investment properties by either outright sales or joint venture with property developers (see Note 4).

As at December 31, 2022 and 2021, the Group has the following business ventures in renewable energy:

a. Solar Power Plant

The Group has a 15% ownership in Sulu Electric Power and Light (Philippines) Inc. [SEPALCO] which owns and operates a 50-megawatt solar project located in Palo, Leyte for ₱255.3 million (see Note 6). The power generated from this project is currently being sold to Wholesale Electricity Spot Market (WESM).

b. Solar Photovoltaic (PV) System Project

The Group, through MREN, operates a 550 kilowatt-power (kWp) solar PV rooftop systems for a rice milling plant in Northern Luzon. Revenues generated from this project amounted to ₱2.3 million in 2022, ₱2.5 million in 2021 and ₱1.6 million in 2020 (see Note 10).

In line with the Group's direction to focus on renewable energy projects, the Parent Company's BOD approved to sell its exploration and evaluation assets with a carrying value of ₱231.7 million on February 17, 2022. Subsequently, on March 10, 2022, the Parent Company entered into a Memorandum of Agreement with a third party to sell these exploration and evaluation assets for ₱750.0 million. Under the agreement, the contracting parties shall execute a Deed of Assignment to transfer the rights of the exploration and evaluation assets to the buyer. As at December 31, 2022, the contracting parties have not yet finalized the Deed of Assignment (see Note 10).

To further diversify its investment portfolio, the Group has started exploring business ventures in technology and digital solutions, and Information and Communication Technology (ICT), in order to leverage on the country's aggressive digital transformation programs.

On February 27, 2023, the Parent Company entered into a Memorandum of Agreement with MCC to purchase 500,000,000 shares of stock, at ₱1.00 par value a share, of Philippine Telegraph and Telephone Corporation (PT&T) held by MCC, equivalent to 33% ownership. Under the agreement, the contracting parties should close the sale within sixty (60) days from the date of the agreement ("Closing Period").

Significant provisions in the agreement also include:

- a. Finalize the terms of reference which details the purchase price, schedule of payments and other material terms and conditions of the sale within thirty (30) days from the date of the agreement; and
- b. Execute a definitive agreement based on the terms of reference within the Closing Period.

As at the date of the approval and issuance of the consolidated financial statements, the Parent Company and MCC are still in the process of finalizing the terms of the sale.

In 2021, the Group re-affirmed its plan to issue 1,428,571,428 shares, at ₱0.10 par value a share or equivalent to ₱142.9 million, at the issue price of ₱0.70 a share or equivalent to ₱1,000.0 million, through a private placement. On March 8, 2023, the SEC approved the amendment on the use of proceeds of this private placement to also cover investment acquisitions in ICT which includes the purchase of PT&T shares. As at the date of the approval and issuance of the consolidated financial statements, the Group is in the process of negotiating the terms of the subscriptions with the potential investors.

In the meantime, the Group stockholders have continued to provide financial support to sustain Group operations and to meet its maturing obligations. Due to a related party has aggregated ₱291.3 million and ₱273.1 million as at December 31, 2022 and 2021, respectively (see Note 9).

The ability of the Group to continue as a going concern depends largely on the successful implementation and outcome of the foregoing business development plans, and the continuing financial support of the Group stockholders.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements. The accounting policies adopted are consistent with those of the previous years, except as otherwise stated.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), which is the Group's functional currency. All values are rounded to the nearest Peso, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for investment properties which are measured at fair value, investment in unquoted securities which are measured at fair value through other comprehensive income (FVOCI), and the retirement liability which is measured at the present value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange for incurring a liability.

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal on the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best interest.

A fair value measurement of nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participants that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in Notes 4 and 17 to the consolidated financial statements.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS as at January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

The adoption of the amended PFRS did not materially affect the financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

Amended PFRS in Issue But Not Yet Effective

Relevant amended PFRS which are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and

(3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities 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. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.
- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020.

Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. In assessing control, the Parent Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control and continue to be consolidated until the date such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies for like transactions and other events in similar circumstances.

All significant intercompany balances and transactions, including inter-group unrealized profits and losses resulting from intercompany transactions, are eliminated in full in preparing the consolidated financial statements. Changes in the controlling equity ownership (i.e., acquisition of noncontrolling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group’s business model and its contractual cash flow characteristics.

The Group does not have financial assets and liabilities at FVPL and debt instruments designated at FVOCI as at December 31, 2022 and 2021.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2022 and 2021, the Group’s cash in banks, trade receivables and amounts due from related parties are classified under this category.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and,
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income (OCI) are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2022 and 2021, the Group designated its investment in unquoted equity securities as financial asset at FVOCI.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at December 31, 2022 and 2021, the Group's trade and other payables (excluding statutory payables), loans payable, amounts due to a related party, and security deposit are classified under this category.

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss. Meanwhile, for a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment of Financial Assets at Amortized Cost

The Group records an allowance for expected credit loss (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, as appropriate, and on assessment of both the current as well as the forecast direction of condition at the reporting date, including time value of money where appropriate.

For other financial assets measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Asset Held For Sale

Asset held for sale pertains to exploration and evaluation assets whose carrying values will be recovered principally through sale transaction rather than through continuing use. These assets are available for immediate sale in its present condition and the sale is highly probable. Subsequent to initial recognition, these are measured at the lower of its carrying amount and fair value less costs to sell.

Other Current Assets

Other current assets consist of input value-added tax (VAT), deposits, creditable withholding tax (CWT) and advances to suppliers.

Input VAT. Input VAT represents tax imposed on the Group by its suppliers for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is recognized as an asset, carried at cost less any impairment in value and will be used to offset the Group's current VAT liability.

Deposits. Deposits represent payments made in relation to the lease and other agreements entered into by the Group. These are carried at cost less any impairment in value and will generally be applied as lease payment or final payment at the end of the agreements.

CWT. CWT represent taxes withheld by the Group's customers as required under Philippine taxation laws and regulations. CWT is recognized as asset, carried at cost less any impairment in value and will be used to offset against the Group's income tax liability.

Advances to Suppliers. Advances to suppliers are recognized whenever the Group pays in advance for its purchase of goods or services and are carried at cost less any impairment in value. These are subsequently charged as an expense in profit or loss upon actual receipt of goods or utilization of services, which is normally within twelve months or within the normal operating cycle.

Investment Properties

Investment properties include land held for the purpose of earning rentals or for capital appreciation or both. These properties are not held to be used in production or sale in the ordinary course of business.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects the market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statements of comprehensive income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the profit or loss in the year of retirement or disposal.

Transfers are made to and from investment properties when, and only when, there is a change in use, evidenced by a) commencement of owner-occupation, for a transfer from investment property to owner-occupied; b) commencement of development with a view to sale, for a transfer from investment property to assets held for sale; c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or d) commencement of an operating lease to another party, for a transfer from property and equipment to investment property.

Exploration and Evaluation Assets

Exploration and evaluation assets represent the Group's acquired rights to do exploration and evaluation of certain mining areas. Expenditures for mine exploration work prior to and subsequent to drilling are deferred as incurred. These shall be written-off if the results of the exploration work are determined to be not commercially viable. If the results are commercially viable, the deferred expenditures and the subsequent development cost shall be capitalized and amortized from the start of commercial operations using the units-of-production method based on estimated recoverable reserves, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Property and Equipment

Property and equipment, except for land, is stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less impairment loss, if any.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are recognized in the consolidated statements of comprehensive income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated and amortized separately.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets. The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The estimated useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives of items of property and equipment are as follows:

	Number of Years
Solar PV system	20
Transportation equipment	5
Furniture, fixtures and equipment	3
Land improvements	5
Leasehold improvements	3 years or term of the lease whichever is shorter

When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization are removed from the accruals and any resulting gain or loss is recognized in the consolidated statements of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of comprehensive income.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, the increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Capital Stock

Capital stock represents the par value of the issued shares.

Retained Earnings (Deficit)

Retained earnings (deficit) represents cumulative balance of the Group's result of operations. Retained earnings also include effect of restatements and/or changes in accounting policy as may be required by the transitional provisions of new and amended standards.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year excluding shares held by subsidiaries, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Where the EPS effect of potential dilutive ordinary shares would be anti-dilutive, basic and diluted EPS are stated at the same amount.

Segment Reporting

An operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

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

Service Fee. Revenue is recognized as income when the related services have been rendered based on contractual terms.

Interest Income. Interest income is recognized as it accrues based on the effective interest method.

Cost and Expenses Recognition

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

Direct Cost. Direct cost is recognized as expense when the related service is rendered.

General and Administrative Expenses. General and administrative expenses constitute cost of administering the business. These are expensed as incurred.

Interest Expense and Penalties. Interest expense and penalties represents the cost of money used in operations including charges for late payments and are recognized as incurred. Interest expense is measure using the effective interest rate method.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in PFRS 16.

Group as a Lessee. The Group applies the short-term lease recognition exemption to its short-term lease of office space (i.e., leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Employee Benefits

Short-term Benefits. The Group provides short-term benefits to its employees in the form of basic salary, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits. These are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Group has an unfunded, defined benefit retirement plan covering all qualified employees. The retirement benefits expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailment and non-routine settlements (if any), and interest expense in profit or loss. Interest expense is calculated by applying the discount rate to the retirement liability. Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment, curtailment, and the date the Group recognizes restructuring related costs.

Remeasurements pertaining to actuarial gains and losses are recognized immediately in OCI and are closed to retained earnings in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in OCI or directly in equity, in which case, the current and deferred tax are also recognized in OCI or directly in equity, respectively.

Related Party Relationships and Transactions

Related party relationships exist 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 relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders. Related parties may be individuals or corporate entities. An entity is also related to the Group when it directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions with related parties are accounted for at arm's-length prices or terms similar to those offered to non-related entities in an economically comparable market.

Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the Group's total assets, or ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Group's total assets. Details of transactions entered into by the Group with related parties are reviewed in accordance with the Group's related party transactions policy.

Provisions

Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

Contingent assets and liabilities are not recognized in the consolidated financial statements. Contingent liabilities are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are disclosed in the notes to consolidated financial statements when inflows of economic benefits are probable.

Events After the Reporting Date

Events after the reporting period that provide additional information about the Group's consolidated financial statements at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

In applying the Group's accounting policies, management is required to make judgments (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgment and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

The critical judgments, apart from those involving estimations, that the management has made and that have the most significant effect on the amounts recognized in the financial statements are discussed below.

Assessing the Ability of the Group to Continue as a Going Concern. The Group has no significant revenue generating activity and has incurred significant expenses as it continues to explore and develop potential business ventures. Moreover, as at December 31, 2022 and 2021, the Group's current liabilities has exceeded its current assets by ₱775.2 million and ₱975.1 million, respectively.

With the Group's business development plans as discussed in Note 1, investment properties with fair value aggregating ₱2,158.6 million as at December 31, 2022, and the stockholders' continuing financial support to sustain the Group's operations, management has assessed that the Group has the ability to continue to operate on a going concern basis.

Assessing Control and Ownership over Investment Properties. As discussed in Note 4, the Group, though the Parent Company, has investment properties comprising a 192-hectare industrial estate in Naga City, Cebu (which properties are covered either only by Deeds of Absolute Sale/Assignment in favor of the Parent Company and/or Tax Declarations and without any certificates of titles in the Parent Company's name) and a 700-hectare land in Leyte (covered by Transfer Certificates of Title). Management has assessed whether or not the Group has control over these properties based on the practical ability to control and direct the use of these assets. The Group has been exercising control and administration over these properties, including the right to dispose the same. It is the intention of the Group to dispose of these properties covered by titles, deeds of absolute sale/assignment and tax declarations through outright sales or through joint venture with property developers. Thus, management has assessed that the Group has the control and ownership of the investment properties.

Classifying Property. The Group determines whether a property is classified as investment property or property and equipment:

- Investment properties comprises land and buildings that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rent income or for capital appreciation. These are real estate properties that are primarily held for capital appreciation and not intended to be sold in the ordinary course of business.
- Property and equipment are tangible items that are held for use in the production or supply of goods or services and are expected to be used for more than one period. These are owner-occupied properties which are substantially for use of the Group or in the operations.

Determining the Highest and Best Use of Investment Properties. The Group determines the highest and best use of investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is industrial land development and forest eco-system project development for Naga City, Cebu and San Isidro, Leyte properties, respectively (see Note 4).

Classifying Financial Instruments. The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated statements of financial position. The Group has designated its 15% ownership in the unquoted shares of SEPALCO as financial asset at FVOCI (see Note 6).

Determining Whether an Agreement Contains a Lease. The Group determined whether agreements entered into contain a lease based on the substance of the arrangement at inception date. In determining whether an agreement contains a lease, management assessed whether the arrangement is dependent on the use of a specific asset or assets, conveys a right to uses of the asset and transfers substantially all the risks and rewards incidental to ownership to the Group.

The Group has entered into an agreement for the general technical and associated requirements for the design, supply, delivery, installation, testing and commissioning of a solar PV project. Management has accounted for the arrangement as a power purchase agreement because the agreement requires a fixed price per kilowatt hour (kWh) for power generated rather than a fixed monthly payment.

Classifying Lease Commitments - Group as a Lessee. The Group has entered into a lease agreement for its office space for a period of one year and renewable upon the mutual consent of both parties. The Group elected not to recognize right-of-use (ROU) assets and lease liability for short-term leases. Consequently, the Group recognizes the lease payments associated with this agreement as an expense on a straight-line basis over the lease term.

Assessing Legal Contingencies. The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

As at December 31, 2022 and 2021, the Group is involved in litigations and claims, which arise in the normal course of business. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with legal counsel handling the Group's defense in these matters and is based upon an analysis of potential results. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, the Group is not required to disclose information that may prejudice the position of the Group on the subject matter of the provision (see Note 8).

Estimates and Assumptions

The key assumptions concerning future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determining the Fair Value of Investment Properties. The Group uses the Fair Value model of accounting for investment properties. The fair values are determined by an independent appraiser.

The value of the investment properties was arrived at using the Sales Comparison Approach which considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

In valuing the Group's investment properties, records of recent sales and offerings of similar lands are analyzed and comparisons were made for company-specific factors, such as, size, characteristics of the lot, location, quality and prospective use. Although these inputs are subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions. Estimated fair value may vary from the actual price that would be achieved in an arm's length transaction at the reporting date.

The carrying amounts of investment properties as at December 31, 2022 and 2021 are disclosed in Note 4.

Determining the Fair Value of Financial Asset at FVOCI. Management has assessed that the carrying amount is the best estimate of fair value of the financial asset at FVOCI because there have been no significant developments from the date the investment was acquired that could drive significant change in fair value as at December 31, 2022 and 2021. The carrying amounts of the financial asset at FVOCI as at December 31, 2022 and 2021 are disclosed in Note 6.

Assessing the ECL on Trade Receivables. When the Group assessed that there is a significant change in the credit risk, the Group estimates ECL on trade receivables using a provision matrix. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

The Group assessed that the credit risk on trade has not increased significantly since initial recognition as these financial assets is determined to have low credit risk and the Group has firm established relationships with its customers and other counterparties.

No provision for ECL on trade receivables was recognized in 2022, 2021 and 2020. The carrying amounts of trade receivables as at December 31, 2022 and 2021 are disclosed in Note 10.

Assessing the ECL on Other Financial Assets at Amortized Cost. The Group measures the loss allowance for a financial asset at amortized cost at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward-looking. For financial instruments for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

No allowance for ECL on other financial assets at amortized cost was recognized in 2022, 2021 and 2020. The carrying amounts of due from related parties as at December 31, 2022 and 2021 are disclosed in Note 9.

Estimating the Useful Lives of Property and Equipment. The useful lives of each item of the Group's property and equipment are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of the property and equipment in 2022, 2021 and 2020. The carrying amounts of property and equipment as at December 31, 2022 and 2021 are disclosed in Note 5.

Assessing the Impairment of Nonfinancial Assets. The Group determines whether an asset is impaired when indication exists, or when an annual impairment testing for an asset is required. Determining the fair value of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, require the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's consolidated financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

Provision for (reversal of) allowance for impairment losses on other current assets amounted to nil in 2022, ₱3.6 million in 2021 and (₱3.7 million) in 2020 (see Note 6).

Provision for impairment losses on the predevelopment costs, presented under "Other Noncurrent Assets", amounted to nil in 2022 and 2021, and ₱23.5 million in 2020. In 2022, the Group wrote off these predevelopment costs (see Note 6).

The carrying amounts of nonfinancial assets are as follows:

	Note	2022	2021
Asset held for sale	10	₱231,749,591	₱—
Other current assets	6	7,325,840	7,515,232
Exploration and evaluation assets	10	—	231,749,591
Property and equipment	5	25,665,471	27,256,557

Assessing the Recoverability of Exploration and Evaluation Assets. The application of the Group's accounting policy for exploration and evaluation assets requires judgment in determining whether the future economic benefits are likely, based on assumptions made and may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statements of comprehensive income in the period when the new information becomes available. The Group reviews the carrying amount of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable values and exceed their fair values.

On February 17, 2022, the Parent Company's BOD approved to sell its exploration and evaluation assets with a carrying value of ₱231.7 million which resulted to the reclassification of these assets to 'Asset Held for Sale' in the consolidated statements of financial position. Subsequently, in March 2022, the Parent Company has entered into a Memorandum of Agreement with a third party for the sale of the exploration and evaluation assets (see Note 10). As at December 31, 2022, the carrying values of the asset held for sale is lower than the negotiated price of the transaction.

Further, in 2020, the MGB denied the Group's application of an Exploration Permit (EP) with a carrying amount of ₱214.0 million because of a lacking documentary requirement. The Group filed a Motion for Reconsideration (MR) to reverse the order of denial and requested for an extension of the period to comply with the lacking requirement due to circumstances beyond the Group's control. As at the date of the approval and issuance of these consolidated financial statements, the result of the MGB's ruling on the MR is still pending. Management has assessed that there is no impairment loss on these exploration and evaluation assets for 2022, 2021 and 2020.

The carrying amounts of asset held for sale and exploration and evaluation assets as at December 31, 2022 and 2021 are disclosed in Note 10.

Determining the Retirement Liability. The determination of the obligation and cost for provision for retirement benefits is dependent on the selection of certain assumptions, notwithstanding the simplification in estimating retirement liability. While the Group believes that the assumption is reasonable and appropriate, significant differences in the actual experience or significant changes in the assumption may materially affect the retirement liability.

The carrying amounts of retirement liability, retirement benefits expense and the significant assumptions in calculating such amounts are disclosed in Note 13.

Assessing the Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of NOLCO and excess MCIT is based on the forecasted taxable income of the following reporting period. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The carrying amounts of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized in the future.

Deferred tax assets were not recognized because management assessed that it may not be probable that sufficient future taxable income will be available against which the Group can utilize the benefits therefrom. The carrying amounts of unrecognized deferred tax assets as at December 31, 2022 and 2021 are disclosed in Note 14.

4. Investment Properties

This account pertains to the real estate properties comprising a 192-hectare industrial estate in Naga City, Cebu (which properties are covered either only by Deeds of Absolute Sale/Assignment in favor of the Parent Company and/or Tax Declarations and without any certificates of titles in the Parent Company's name) and a 700-hectare land in San Isidro, Leyte (covered by Transfer Certificates of Title).

Details and movements in this account follows:

	2022		
	Naga City, Cebu	San Isidro, Leyte	Total
Cost			
Balance at beginning and end of year	₱203,547,668	₱359,257,715	₱562,805,383
Cumulative Changes in Fair Value			
Balance at beginning of year	1,020,648,332	491,795,285	1,512,443,617
Fair value gain	38,583,000	44,792,000	83,375,000
Balance at end of year	1,059,231,332	536,587,285	1,595,818,617
Carrying Amount	₱1,262,779,000	₱895,845,000	₱2,158,624,000

	2021		
	Naga City, Cebu	San Isidro, Leyte	Total
Cost			
Balance at beginning and end of year	₱203,547,668	₱359,257,715	₱562,805,383
Cumulative Changes in Fair Value			
Balance at beginning of year	848,940,332	442,857,285	1,291,797,617
Fair value gain	171,708,000	48,938,000	220,646,000
Balance at end of year	1,020,648,332	491,795,285	1,512,443,617
Carrying Amount	₱1,224,196,000	₱851,053,000	₱2,075,249,000

About 82 hectares of the properties in Naga City, Cebu are covered by Tax Declarations and Deeds of Absolute Sale/Assignment in favor of the Parent Company while about 100 hectares are covered by Tax Declarations in the names of the original owners. The remaining 10 hectares are not covered by Deeds of Assignment/Sale. These properties are not yet covered by Transfer Certificates of Title and are not registered in the Parent Company's name as the title to these properties are still in the names of the assignors or previous owners. The Parent Company, however, has maintained actual, open, continuous, exclusive, notorious, and uninterrupted possession of the properties. Any person who questions the Parent Company ownership over these properties will have to show by preponderance of evidence that they have a greater claim over the Parent Company. Moreover, the Parent Company has been exercising control and administration over these properties, including the right to dispose the same. The San Isidro, Leyte properties, however, are covered by Transfer Certificates of Title.

It is the intention of the Parent Company to dispose of or sell these properties covered by titles, deeds of absolute sale/assignment and tax declarations through outright sales or through joint venture with property developers.

No revenue was earned from the investment properties in 2022, 2021, and 2020.

Fair Value

The fair values of the investment properties aggregating ₱2,158.6 million for 2022 are based on the appraisal reports dated March 6, 2023 and March 16, 2023 as determined by an independent appraiser. The fair values of the investment properties aggregating ₱2,075.2 million for 2021 are based on appraisal reports dated November 22, 2021 and December 28, 2021 as determined by an independent appraiser. Management assessed that there were no significant changes in fair values between the dates of appraisal and financial statements report date.

The fair values of the investment properties were determined using the Sales Comparison Approach. This approach considers the sales of similar properties of related market data and establishes a value estimate by process involving comparison. Under this approach, the sales prices of comparable properties in close proximity are used in the valuation of the subject property with adjustments made on the price for differences in the key attributes such as property size, zoning and accessibility.

The fair values were categorized as Level 2 (significant observable inputs) and the significant unobservable input used in determining fair values is discussed as follows:

	2022	2021
Price per square meter	₱200 to ₱2,500	₱190 to ₱2,400
Value adjustments	(5%) to (50%)	(10%) to (60.0%)

Price per square meter pertains to the estimated value prevailing in the real estate market depending on the location, area and time element. Value adjustments are adjustments made to bring the comparative values in approximation to the properties taking into account internal factors such as marketability, location, terrain, size, shape and development.

Sensitivity Analysis. The following factors were considered in determining the market value of the subject property:

- property location and neighborhood data;
- present use of the properties are industrial (Naga City, Cebu) and residential/agricultural (San Isidro, Leyte);
- quantitative market value adjustments based on internal factors; and,
- highest and best use (industrial and residential/agricultural)

Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

As at December 31, 2022 and 2021, there were no transfers between levels in the fair value hierarchy.

5. Property and Equipment

Details and movements of this account follow:

2022						
	Land	Solar PV System	Transportation Equipment	Furniture, Fixtures and Equipment	Land and Leasehold Improvements	Total
Cost						
Balance at beginning and end of year	₱1,045,000	₱23,699,130	₱12,484,406	₱3,352,412	₱8,312,889	₱48,893,837
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	2,503,386	9,133,555	2,923,596	7,076,743	21,637,280
Depreciation and amortization	–	1,184,956	349,226	56,904	–	1,591,086
Balances at end of year	–	3,688,342	9,482,781	2,980,500	7,076,743	23,228,366
Carrying Amounts	₱1,045,000	₱20,010,788	₱3,001,625	₱371,912	₱1,236,146	₱25,665,471

2021						
	Land	Solar PV System	Transportation Equipment	Furniture, Fixtures and Equipment	Land and Leasehold Improvements	Total
Cost						
Balance at beginning of year	₱1,045,000	₱23,699,130	₱10,920,120	₱3,257,788	₱8,312,889	₱47,234,927
Additions	–	–	1,564,286	94,624	–	1,658,910
Balance at end of year	1,045,000	23,699,130	12,484,406	3,352,412	8,312,889	48,893,837
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	1,318,430	8,160,653	2,892,976	7,076,743	19,448,802
Depreciation and amortization	–	1,184,956	972,902	30,620	–	2,188,478
Balances at end of year	–	2,503,386	9,133,555	2,923,596	7,076,743	21,637,280
Carrying Amounts	₱1,045,000	₱21,195,744	₱3,350,851	₱428,816	₱1,236,146	₱27,256,557

Fully depreciated property and equipment with cost amounting to ₱15.8 million as at December 31, 2022 and 2021 are still being used in operations.

Depreciation and amortization is classified as follows:

	Note	2022	2021	2020
Direct cost		₱1,184,956	₱1,403,170	₱1,152,947
General and administrative expenses	11	406,130	785,308	1,142,341
		₱1,591,086	₱2,188,478	₱2,295,288

6. Other Assets

Current

This account consists of:

	Note	2022	2021
Input VAT		₱7,121,173	₱7,171,155
Deposits	12	201,600	201,600
CWT		3,067	–
Advances to suppliers		–	142,477
		₱7,325,840	₱7,515,232

Movements in the allowance for impairment losses on other current assets as at December 31, 2021 and 2020 are as follows:

	2021	2020
Balance at beginning of year	₱3,418,128	₱7,153,571
Provision for (reversal of) allowance for impairment loss	3,610,644	(3,735,443)
Write-off	(7,028,772)	–
Balance at end of year	₱–	₱3,418,128

Noncurrent

Financial asset at FVOCI pertains to the 15% investment in the shares of stock of SEPALCO. The related subscription payable is due and demandable (see Note 8).

The Group designated its investment in SEPALCO as financial asset at FVOCI because the Group intends to hold this investment for the long term and for strategic purposes. The Group has assessed that the cost of investment is the appropriate estimate of its fair value because there have been no significant developments from the date the investment was acquired that could drive significant change in fair value as at December 31, 2022 and 2021.

No financial asset at FVOCI were disposed of and there were no transfers of any cumulative gain or loss within equity relating to these investments in 2022, 2021 and 2020.

Predevelopment costs amounting to ₱23.5 million pertain mainly to the costs of feasibility studies, permits and payments to technical consultants related to the Group's solar project in Naga, Cebu. The Department of Environment and Natural Resources (DENR) ordered the suspension of the development activities within the solar project's area because of supervening events affecting the area's condition and feasibility. As a result, the Group, through MREN, had to surrender its service contract with the Department of Energy (DOE) which resulted to the recognition of the allowance for impairment loss on predevelopment costs amounting to ₱23.5 million in 2020. In 2022, the Group wrote off the predevelopment cost.

Movements in the allowance for impairment loss on predevelopment costs are as follows:

	2022	2021	2020
Balance at beginning of year	₱23,477,147	₱23,477,147	₱—
Write-off	(23,477,147)	—	—
Provision for impairment loss	—	—	23,477,147
Balance at end of year	₱—	₱23,477,147	₱23,477,147

The Group's net provision for impairment and probable losses in 2021 and 2020 are summarized as follows:

	2021	2020
Provision for (reversal of) impairment loss on other current assets	₱3,610,644	(₱3,735,443)
Provision for impairment loss on predevelopment cost	—	23,477,147
Others	20,000,000	—
	₱23,610,644	₱19,741,704

7. Loans Payable

Movements in loans payable are as follows:

	2022	2021
Balance at beginning of year	₱26,111,638	₱25,000,000
Payments	(505,844)	(289,962)
Availments	—	1,401,600
Balance at end of year	₱25,605,794	₱26,111,638

These loans are broken down as follows:

	2022	2021
Current	₱25,605,794	₱25,695,767
Noncurrent	—	415,871
	₱25,605,794	₱26,111,638

Bank loan amounting to ₱25.0 million represents unsecured, due and demandable loan from First Metro Investment Corporation at 13% annual interest that has been outstanding since February 1998. Interest and penalties on this loan amounted to ₱12.2 million in 2022, ₱15.5 million in 2021 and ₱15.6 million in 2020.

In July 2021, the Group obtained an auto loan from a local financial institution amounting to ₱1.4 million to finance the purchase of a transportation equipment. This loan is payable in twenty-four (24) equal monthly installments and bears an annual interest rate of 24.3%. Interest expense on this loan amounted to ₱0.2 million in 2022 and 2021.

Total interest and penalties consist of:

	2022	2021	2020
Interest	₱3,249,800	₱3,405,856	₱3,253,550
Penalties	9,149,488	12,282,471	12,392,649
	₱12,399,288	₱15,688,327	₱15,646,199

There were no borrowing costs capitalized in 2022, 2021 and 2020.

Accrued interest and penalties amounted to ₱423.6 million and ₱411.5 million as at December 31, 2022 and 2021, respectively (see Note 8).

8. Trade and Other Payables

This account consists of:

	Note	2022	2021
Trade		₱12,982,908	₱12,982,908
Subscription payable	6	255,250,000	255,250,000
Accrued:			
Interest and penalties	7	423,632,778	411,462,396
Others		23,956,243	23,310,073
Statutory payables		1,352,867	885,858
		₱717,174,796	₱703,891,235

Trade payables are noninterest-bearing and payable based on the normal credit terms of the supplier. In February 2021, the Group, through MREN, received a Notice to Terminate from its contractor. As at the date of the approval and issuance of these consolidated financial statements, MREN is in the process of negotiating the terms of the agreement with the contractor (see Note 10).

Other accrued expenses include accruals for rent, management fees and provision to cover for probable claims from a third party. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, the Group is not required to disclose information that may prejudice the Group's position.

Statutory payables include withholding taxes and payables to other regulatory agencies to be settled in the subsequent month.

9. Related Party Transactions

The Group, in the normal course of business, has transactions with its related parties.

The following summarizes the related party transactions of the Group and its outstanding balances as at and for the years ended December 31, 2022 and 2021:

	Nature of Transactions	Transactions during the Year		Outstanding Balance	
		2022	2021	2022	2021
Due from:					
Stockholder	Advances for working capital	₱256,720	₱5,841,617	₱19,204,475	₱18,947,755
Officers	Advances for business purpose	—	(76,260)	54,052	54,052
Less allowance for impairment losses	Write-off	—	254,445	—	—
				₱19,258,527	₱19,001,807
Due to Ultimate Parent	Advances for working capital	₱18,117,519	₱24,822,133	₱291,259,606	₱273,142,087

Terms and Conditions

Outstanding balances from a stockholder and the Ultimate Parent are unsecured, noninterest-bearing, collectible or payable on demand and are settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

Advances to officers are unsecured, noninterest-bearing and are settled through liquidation for a specified period of time.

No provision for ECL on due from related parties was provided in 2022, 2021 and 2020. In 2021, the Group wrote off advances to officers amounting to ₱0.2 million.

Key Management Personnel

Compensation paid to key management personnel are as follows:

	2022	2021	2020
Short-term	₱1,260,000	₱1,170,000	₱1,080,000
Post-employment	189,784	162,672	108,448
Balance at end of year	₱1,449,784	₱1,332,672	₱1,188,448

10. Significant Agreements

Mines Operating Agreements (MOA)

The Group has MOA for gold and copper covering mining areas where Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) have applications for EP or Mineral Production Sharing Agreement (MPSA) with the MGB. These are summarized as follows:

Holder	Date	Location	No. of Hectares as at December 31	
			2022	2021
AMC	November 8, 2010	Kiblawan, Davao del Sur and Columbio, Sultan Kudarat (AMC Kiblawan)	7,559.1	7,559.1
	January 7, 2011	Marihatag, Surigao del Sur (AMC Marihatag)	3,759.3	3,759.3
	March 28, 2011	Boston and Cateel, Davao Oriental (PMC Boston-Cateel)	4,860.0	4,860.0
PMC	February 4, 2011	Paquibato, Davao City (PMC Paquibato)	593.2	593.2

Each MOA provides for, among others:

- 3% royalty on gross proceeds or gross sales of all mineral production payable 15 days after every three months commencing at the end of the first full quarter after the commencement of production; and
- ₱2.0 million to ₱3.0 million royalty advances at every anniversary date of the MOA. However, the Group has not yet provided any royalty advances for the MOA dated March 28, 2011 due to pending exploration permits.

Moreover, the Parent Company will assume all financial costs and expenditures and provide all technical expertise, manpower and support to AMC and PMC to get the necessary MPSA for the mining areas and to comply with the tenement requirements to bring the mining agreements into commercial mining production and operation within the earliest time possible. The agreements with the Philippine government shall always be in the name of AMC and PMC with the Group as the operator.

The carrying amount of these exploration and evaluation assets consists of:

	2022	2021
AMC Kiblawan	₱214,000,000	₱214,000,000
PMC Paquibato	17,749,591	17,749,591
	₱231,749,591	₱231,749,591

In consideration for the MOA dated November 8, 2010 (AMC Kiblawan) and February 4, 2011 (PMC Paquibato), MCC issued 600 million MCC shares each to AMC and PMC in 2011 equivalent to ₱464.3 million. In 2020, the Group wrote off exploration and evaluation assets of ₱232.5 million as a result of the reduction of the mining area covered by the EP for PMC Paquibato.

The Parent Company has not yet transferred the 600 million common shares at ₱0.10 par value for the MOA dated March 28, 2011 (PMC Boston-Cateel) pending the final determination of the mining areas by PMC. The consideration for the MOA dated January 7, 2011 (AMC Marihatag), which was entered into by MRC Surigao, is subject to a separate agreement. As at the date of the approval and issuance of these consolidated financial statements, the Group is awaiting the lifting of the moratorium on the issuance of new mining permits by the Department of Environment and Natural Resources (DENR) to finalize the terms of the MOA.

On September 15, 2020, the MGB released an Order of Denial covering the EP application for AMC Kiblawan because of a failure to comply with a documentary requirement within the specified period. The Group has been persistent in obtaining the required document, however, because of the limitations brought by the Covid-19 related mandated lockdowns in 2021 and 2020, and other circumstances beyond the Group's control, the document was not obtained and submitted within the required period. Pursuant to the MGB's guidelines and procedures, the Group filed a Motion for Reconsideration to reverse the denial. The decision on the motion is pending as at the date of the approval and issuance of these financial statements.

On February 17, 2022, the Parent Company's BOD approved to sell the exploration and evaluation assets resulting to the reclassification of these assets to 'Asset Held For Sale'. On March 10, 2022, the Parent Company entered into a Memorandum of Agreement with a third party for the sale of the MOA for AMC Kiblawan, PMC Paquibato, PMC Boston-Cateel and AMC Marihatag for ₱750.0 million. As at December 31, 2022, the carrying values of the exploration and evaluation assets is lower than the negotiated price of the transaction.

Moreover, under the agreement, the parties undertake to execute a Deed of Assignment to transfer the rights of the exploration and mining assets to the buyer. As at the date of the approval and issuance of these consolidated financial statements, the contracting parties have not yet finalized the Deed of Assignment.

Solar Power Projects

- a. In October 2019, MREN has completed the procurement, design, testing and commissioning of the 550 kWp solar PV system project for a rice milling plant in Northern Luzon. MREN is responsible in operating and maintaining the solar PV system, which includes, among others: (a) reading and inspecting the solar billing meter; (b) conduct any testing, inspection, repair, recalibration and replacement of the solar PV metering system; and (c) sending of monthly invoice.

The proposed capacity of the project is 550 kilowatts with agreed generation charge of ₱7.00/ kilowatt-hour (kWh) for a period of twenty (20) years. The generation charge can be lowered to ₱6.75/kWh for eighteen (18) years when the total capacity reaches two (2) megawatts and upon mutual agreement of the parties. Throughout the term of the agreement, the solar PV system shall be owned solely by MREN, except when the provisions on early termination, which includes default or dissolution of the parties and option to buy, among others, are met.

The agreement provides for, among others:

- Monthly variable service fee, calculated by applying the agreed rate of ₱7.00/per kWh, or distribution utility (DU) rate whichever is lower but subject to floor rate of ₱6.50/per kWh, to the monthly Net Energy Output. The total monthly fee shall be subject to adjustments from daily downtime inclusion and/or other fees due by reason of violation or breach of the agreement.
- Security deposit, in the form of surety bond or cash. Surety bond must be demandable at anytime during the term of this agreement and should be issued by a surety or insurance company duly certified by the Insurance Commission, in the amount of ₱5.0 million. Security deposit in the form of cash shall be deposited and maintained to a specified account to be agreed by the parties. This deposit shall be forfeited in favor of the Group in case of any default by the other party in the terms of the agreement. Security deposit amounted to ₱4.2 million and ₱4.4 million as at December 31, 2022 and 2021, respectively.

Service revenues amounted to ₱2.3 million in 2022, ₱2.5 million in 2021 and ₱1.6 million in 2020. Outstanding receivables, which are noninterest-bearing and are usually collected within 30 days, amounted to ₱0.2 million and ₱0.4 million as at December 31, 2022 and 2021, respectively.

On February 22, 2019, the Group, through MREN, entered into a Memorandum of Agreement with a third-party contractor engaged in the selling and servicing of solar panels (the Contractor) for the engineering, procurement and construction (EPC) of the Solar PV Project. The Memorandum of Agreement covers the general technical and associated requirements for the design, supply, delivery, installation, testing and commissioning, including all items which can be reasonably inferred as being required for the Solar PV Project's completion. The total contract price amounted to ₱29.4 million, inclusive of any and all taxes, including VAT and applicable withholding taxes, and subject to variations as defined and allowed by the Memorandum of Agreement.

On February 21, 2021, MREN received a Notice to Terminate from the Contractor for the engineering, procurement and commissioning of the 550 kWp Project. As at the date of the approval and issuance of these consolidated financial statements, MREN is in the process of verifying the grounds for termination and negotiating certain terms of the agreement with the Contractor. Payables to the Contractor amounted to ₱13.0 million as at December 31, 2022 and 2021 (see Note 8).

- b. The Group, through MREN, had a Solar Energy Service Contract with the DOE for the exclusive right to explore and develop a solar project in Naga, Cebu. In 2018, the DENR ordered the suspension of the development activities within the solar project's area because of supervening events affecting the condition and feasibility of the area. As a result, the Group had to surrender its Solar Energy Service Contract which resulted to the recognition of the provision for impairment loss on predevelopment costs amounting to ₱23.5 million in 2020. In 2022, the Group wrote off these predevelopment costs (see Note 6).

11. General and Administrative Expenses

This account consists of:

	Note	2022	2021	2020
Salaries, wages and employee benefits	13	₱13,632,420	₱12,997,351	₱15,019,234
Entertainment, amusement and representation		2,055,186	1,990,952	877,598
Management and professional fees		1,946,639	1,976,175	1,341,508
Rent	12	1,538,880	1,419,883	1,342,201
Transportation and travel		1,006,548	1,265,029	437,561
Communication, light and water		587,591	750,402	330,010
Fuel and oil		420,347	329,895	221,188
Depreciation and amortization	5	406,130	785,308	1,142,341
Dues and subscriptions		250,000	1,218,239	246,521
Supplies		112,757	261,843	61,386
Others		1,112,335	1,368,944	1,645,153
		₱23,068,833	₱24,364,021	₱22,664,701

Others represent marketing, insurance, donations, service charges, security services and other miscellaneous expenses.

12. Leases

The Group has a lease agreement with a third party for its office space. The lease agreement is valid for one year and may be extended for another period subject to terms and conditions as may be agreed upon by both parties. Deposits on lease contract amounted to ₱0.2 million as at December 31, 2022 and 2021 (see Note 6).

Rent charged to "General and administrative expenses" account in the consolidated statements of comprehensive income amounted to ₱1.5 million in 2022, ₱1.4 million in 2021 and ₱1.3 million in 2020 (see Note 11).

13. Retirement Benefits

The Group has an unfunded, defined benefit retirement plan covering all of its qualified employees.

The components of retirement liability recognized in the consolidated statements of financial position are as follows:

	2022	2021	2020
Balance at beginning of year	₱11,940,204	₱10,364,087	₱9,262,997
Retirement benefits expense:			
Current service cost	828,945	1,055,021	794,720
Interest cost	854,276	521,096	306,370
Balance at end of year	₱13,623,425	₱11,940,204	₱10,364,087

Retirement benefit expense presented under "Salaries, wages and employee benefits" amounted to ₱1.7 million in 2022, ₱1.6 million in 2021 and ₱1.1 million in 2020 (see Note 11).

The actuarial assumptions used to determine the retirement benefits are as follows:

	2022	2021	2020
Discount rates	7.15%	5.03%	3.80%
Expected rates of salary increase	10.00%	10.00%	10.00%

Sensitivity analysis based on reasonable possible changes of assumptions are as follows:

	Basis Points	2022	2021
Discount rate	+100	(₱2,392,046)	(₱2,227,210)
	-100	2,931,444	2,766,933
Salary rate	+125	2,819,545	2,602,194
	-125	(2,355,440)	(2,154,197)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The weighted average duration of the retirement benefit plan is 20.8 years in 2022.

The maturity analysis based on a 10-year projection of expected future benefit payments amounted to ₱3.0 million for the financial year 2022.

14. Income Taxes

The Group's provision for current income tax pertains to MCIT in 2022, 2021 and 2020.

The Group's deferred tax liabilities are as follows:

	2022	2021
Cumulative fair value gain on investment properties	P398,954,654	P378,110,904
Actuarial gain on retirement liability	1,769,371	1,769,371
	P400,724,025	P379,880,275

The Group did not recognize deferred tax assets amounting to P89.5 million and P98.0 million as at December 31, 2022 and 2021, respectively, as it is not probable that sufficient taxable income will be available against which the benefit of the deferred tax assets can be utilized.

The components of unrecognized deferred tax assets are as follows:

	2022	2021
NOLCO	P82,908,782	P87,044,506
Provision for probable loss	5,000,000	5,000,000
Retirement liability	1,636,485	1,215,680
Excess MCIT over RCIT	30,698	22,362
Provision for impairment loss on predevelopment cost	—	4,695,429
	P89,575,965	P97,977,977

As at December 31, 2022, the Group's NOLCO that can be carried forward and claimed as deduction against the regular taxable income are as follows:

Year Incurred	Amount	Expired	Balance	Expiry
2022	P30,312,666	P—	P30,312,666	2025
2021	35,096,843	—	35,096,843	2026
2020	268,060,070	—	268,060,070	2025
2019	47,573,178	47,573,178	—	2022
	P381,042,757	P47,573,178	P333,469,579	

Under the Republic Act No. 11494, also known as "Bayanihan to Recover As One Act" and Revenue Regulations No. 25-2020, the Group is allowed to carry-over its net operating losses incurred for taxable years 2021 and 2020 for the next five (5) years immediately following the year of such loss.

Details of MCIT are as follows:

Year Incurred	Amount	Expired	Balance	Expiry
2022	P10,996	P—	P10,996	2025
2021	10,711	—	10,711	2024
2020	8,991	—	8,991	2023
2019	2,660	2,660	—	2022
	P33,358	P2,660	P30,698	

The reconciliation of income tax computed using the statutory tax rate to the provision for income tax as shown in the consolidated statements of comprehensive income follows:

	2022	2021	2020
Income tax computed at statutory tax rate	₱12,484,064	₱39,647,222	₱370,258,457
Change in unrecognized deferred tax assets	(8,402,012)	(22,843,601)	(793,212)
Tax effects of:			
Expired NOLCO	11,569,501	13,462,357	17,824,628
Write off of predevelopment cost	4,695,429	—	—
Nondeductible expenses	505,187	2,298,094	258,492
Expired excess MCIT over RCIT	2,660	—	—
Interest income subject to final tax	(83)	(135)	(89)
Effect of change in tax rates	—	(42,335,481)	—
	₱20,854,746	(₱9,771,544)	₱387,548,276

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020. The effect of the change in income tax rates, however, was recognized in 2021 for financial reporting purposes.

PEZA Registration

The Group is an ecozone developer/operator of New Cebu Township One (NCTO) and Amihan Woodlands Township (AWT) pursuant to Republic Act (RA) No. 7916 as amended by RA No. 8748. As a PEZA-registered developer/operator, the Group is subject to 5% tax on gross income of the PEZA-registered activities in lieu of all national and local taxes. As at December 31, 2022 and 2021, the Group has no PEZA-registered activities.

15. Basic/Diluted Earnings Per Share

The following reflects the net income (loss) and share data used in the basic/dilutive earnings (loss) per share computations:

	2022	2021	2020
Net income (a)	₱28,152,074	₱167,826,249	₱846,646,581
Weighted average number of outstanding shares (b)	8,512,658,975	8,512,658,975	8,512,658,975
Basic/diluted earnings per share (a/b)	₱0.003	₱0.020	₱0.099

The Group has no dilutive potential common shares in 2022, 2021 and 2020.

16. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are cash in banks, trade receivables, due from related parties, financial asset at FVOCI, trade and other payables (excluding statutory payables), loans payable, due to a related party and security deposit.

	2021							
	Neither Past Due nor Impaired			Past Due but not Impaired				
	High Grade	Standard Grade	Substandard Grade	1 - 30 Days	31 - 60 Days	More than 60 Days	Impaired	Total
Cash in banks	₱708,714	₱—	₱—	₱—	₱—	₱—	₱—	₱708,714
Trade receivables	—	363,016	—	—	—	—	—	363,016
Due from related parties	—	19,001,807	—	—	—	—	—	19,001,807
	₱708,714	₱19,364,823	₱—	₱—	₱—	₱—	₱—	₱20,073,537

The credit quality of the receivables is managed by the Group using internal credit quality ratings. High grade accounts consist of financial assets from counterparties with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Financial assets that are still collectible but require persistent effort from the Group to collect are considered substandard grade accounts. Past due but not impaired are items with history of frequent default, nevertheless, the amounts are still collectible. Financial assets that are most likely uncollectible are considered as impaired.

At the reporting date, there is no significant concentration of credit risk.

Liquidity Risk. The Group's objective is to maintain a balance between continuity of funding and flexibility through availment of loans and advances from related parties. The maturity profile of the Group's financial liabilities as at December 31, 2022 and 2021 based on contractual payments follow:

	2022				
	Total Carrying Amount	Contractual Undiscounted Payments			
		On Demand	< 1 Year	1 to 5 Years	> 5 Years
Trade and other payables*	₱292,189,151	₱255,250,000	₱36,939,151	₱—	₱—
Loans and interest payable	449,238,572	448,632,778	605,794	—	—
Due to a related party	291,259,606	291,259,606	—	—	—
Security deposit	4,187,500	—	—	4,187,500	—
	₱1,036,874,829	₱995,142,384	₱37,544,945	₱4,187,500	₱—

*Excluding statutory payables amounting to ₱1,352,867.

	2021				
	Total Carrying Amount	Contractual Undiscounted Payments			
		On Demand	< 1 Year	1 to 5 Years	> 5 Years
Trade and other payables*	₱291,542,981	₱255,250,000	₱36,292,981	₱—	₱—
Loans and interest payable	437,574,034	436,462,396	695,767	415,871	—
Due to a related party	273,142,087	273,142,087	—	—	—
Security deposit	4,437,500	—	—	4,437,500	—
	₱1,006,696,602	₱964,854,483	₱36,988,748	₱4,853,371	₱—

*Excluding statutory payables amounting to ₱885,858.

Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains a strong credit rating and healthy capital ratios in order to support its operations, pay existing obligations and maximize stockholder value. The Group considers the paid-in capital presented in the consolidated statements of financial position as its core capital.

The Group manages its capital structure and makes adjustments when there are changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from related parties, return capital to stockholders or issue new shares. No changes were made in the objectives, policies and processes in 2022 and 2021. The Company is not subject to externally imposed capital requirements.

As discussed in Note 1, the Group is continuously undertaking specific actions to improve operations including communication with prospective investors which are part of the Group's policies and processes in managing its capital.

The debt-to-equity ratio as at December 31, 2022 and 2021 are as follows:

	2022	2021
Total liabilities	₱1,452,575,146	₱1,399,402,939
Total equity	1,245,843,052	1,217,690,978
	1.17:1	1.15:1

17. Fair Value of Financial Assets and Liabilities

The table below presents the financial assets and liabilities of the Group as at December 31 whose carrying amounts approximate their fair values due to short-term and demandable nature of these financial instruments:

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash in banks	₱346,290	₱346,290	₱708,714	₱708,714
Trade receivables	198,479	198,479	363,016	363,016
Due from related parties	19,258,527	19,258,527	19,001,807	19,001,807
Financial asset at FVOCI	255,250,000	255,250,000	255,250,000	255,250,000
	₱275,053,296	₱275,053,296	₱275,323,537	₱275,323,537
Financial Liabilities				
Trade and other payables*	₱292,189,151	₱292,189,151	₱291,542,981	₱291,542,981
Loans and interest payable	449,238,572	449,238,572	437,574,034	437,574,034
Due to a related party	291,259,606	291,259,606	273,142,087	273,142,087
Security deposit	4,187,500	4,187,500	4,437,500	4,437,500
	₱1,036,874,829	₱1,036,874,829	₱1,006,696,602	₱1,006,696,602

*Excluding statutory payables amounting to ₱1,352,867 and ₱885,858 as at December 31, 2022 and 2021, respectively.

18. Segment Reporting

As at December 31, 2022 and 2021, the Group has three operating segments: (1) investment activities, (2) mining activities and (3) renewable energy.

Operating results of the Group are regularly reviewed by the Group's BOD, to make decisions about resources to be allocated to the segment and to assess its performance. Segment expenses are measured in accordance with PFRS. The presentation and classification of segment expenses are consistent with the consolidated statements of comprehensive income.

The Group has only one geographical segment as all of its assets are located in the Philippines.

Operating segments information for the years ended December 31, 2022, 2021 and 2020 are as follows:

	2022				
	Investment Activities	Mining Activities	Renewable Energy	Reconciling Items	Total
Net income (loss)	₱31,449,281	(₱340,240)	(₱2,956,967)	₱-	₱28,152,074
Assets	₱2,343,897,062	₱235,973,724	₱277,152,768	(₱158,605,356)	₱2,698,418,198
Liabilities	1,200,280,082	32,238,378	293,192,055	(73,135,369)	1,452,575,146
Net assets	1,143,616,980	203,735,346	(16,039,286)	(85,469,988)	1,245,843,052
Revenues	-	-	2,284,546	-	2,284,546
Depreciation and amortization	312,857	-	1,278,229	-	1,591,086
Interest expense and penalties	12,399,288	-	-	-	12,399,288
	2021				
	Investment Activities	Mining Activities	Renewable Energy	Reconciling Items	Total
Net income (loss)	₱170,507,862	(₱342,000)	(₱2,339,613)	₱-	₱167,826,249
Assets	₱2,260,135,058	₱235,973,724	₱279,250,252	(₱158,265,117)	₱2,617,093,917
Liabilities	1,147,967,358	31,898,138	292,332,572	(72,795,129)	1,399,402,939
Net assets	1,112,167,700	204,075,586	(13,082,320)	(85,469,988)	1,217,690,978
Revenues	-	-	2,474,252	-	2,474,252
Depreciation and amortization	156,429	-	2,032,049	-	2,188,478
Interest expense and penalties	15,688,327	-	-	-	15,688,327
	2020				
	Investment Activities	Mining Activities	Renewable Energy	Reconciling Items	Total
Net income (loss)	₱892,347,739	(₱17,830,101)	(₱27,871,057)	₱-	₱846,646,581
Assets	₱1,862,781,689	₱378,503,745	₱317,110,793	(₱162,929,350)	₱2,395,466,877
Liabilities	818,233,262	311,974,748	292,853,500	(77,459,362)	1,345,602,148
Net assets	1,044,548,427	66,528,997	24,257,293	(85,469,988)	1,049,864,729
Revenues	-	-	1,602,495	-	1,602,495
Depreciation and amortization	-	1,142,341	1,152,947	-	2,295,288
Interest expense and penalties	15,646,199	-	-	-	15,646,199



REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
MRC Allied, Inc. and Subsidiaries
5/F Eurovilla 4 Bldg.
853 A. Arnaiz Avenue, Makati City

We have audited in accordance with Philippines Standards on Auditing, the basic consolidated financial statements of MRC Allied, Inc. and Subsidiaries (the Group) as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020, and have issued our report thereon dated April 12, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of Parent Company Retained Earnings Available for Dividend Declaration
- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Conglomerate Map

These schedules are presented for purposes of complying with the Part II of the Revised SRC Rule 68, and are not part of the basic consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ
Partner

CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 97380-SEC Group A
Issued April 8, 2021
Valid for Financial Periods 2020 to 2024
BIR Accreditation No. 08-005144-012-2023
Valid until January 24, 2026
PTR No. 9564565
Issued January 3, 2023, Makati City

April 12, 2023
Makati City, Metro Manila

MRC ALLIED, INC. AND SUBSIDIARIES
(A Subsidiary of Menlo Capital Corporation)

RECONCILIATION OF PARENT COMPANY RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2022

Retained earnings, as adjusted to amount available for dividend declaration, at beginning of year	(P639,911,949)
Add (less):	
Gain on fair value changes on investment properties	(83,375,000)
Net income for the year	31,449,281
Movements in deferred tax liabilities	20,843,750
Retained earnings available for dividend declaration, at end of year	<u>(P670,993,918)</u>

Reconciliation:	
Retained earnings at end of year as shown in the separate financial statements	P524,100,674
Add (less):	
Cumulative fair value gain on investment properties	(1,595,818,617)
Deferred tax liabilities as at end of year, as shown in the separate financial statements	400,724,025
Retained earnings available for dividend declaration, at end of year	<u>(P670,993,918)</u>

MRC ALLIED, INC. AND SUBSIDIARIES
(A Subsidiary of Menlo Capital Corporation)

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II OF THE REVISED SRC RULE 68
DECEMBER 31, 2022

Schedule A. Financial Assets

The Group does not have outstanding financial assets which constitute five percent or more of total current assets as at and for the year ended December 31, 2022.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Stockholder	₱18,947,755	₱256,720	₱—	₱—	₱19,204,475	₱—	₱19,204,475
Officers	54,052	—	—	—	54,052	—	54,052

Schedule C. Amounts receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Menlo Renewable Energy Corporation (MREN)	₱18,108,895	₱—	(₱1,270,767)	₱—	₱12,861,277	₱—	₱12,861,277
MRC Tampakan Mining Corporation (MRC Tampakan)	500,000	—	—	—	—	500,000	500,000
MRC Surigao Mines, Inc. (MRC Surigao)	16,583,388	—	—	—	—	16,583,388	16,583,388

Schedule D. Long-term Borrowings

The Group obtained an auto loan of ₱1.4 million. This loan has a term of two (2) years, payable in equal monthly installments. Outstanding balance of this loan amounted to ₱0.6 million which is payable within 2023 and presented as a current liability in the consolidated statements of financial position.

Schedule E. Indebtedness to Related Parties (Long-term Loans from Related Companies)

The Group does not have an outstanding long term loans from related parties as at and for the year ended December 31, 2022. The Group has due to a related party which is due and demandable amounting to ₱291.3 million as at December 31, 2022.

Schedule F. Guarantees of Securities of Other Issuers

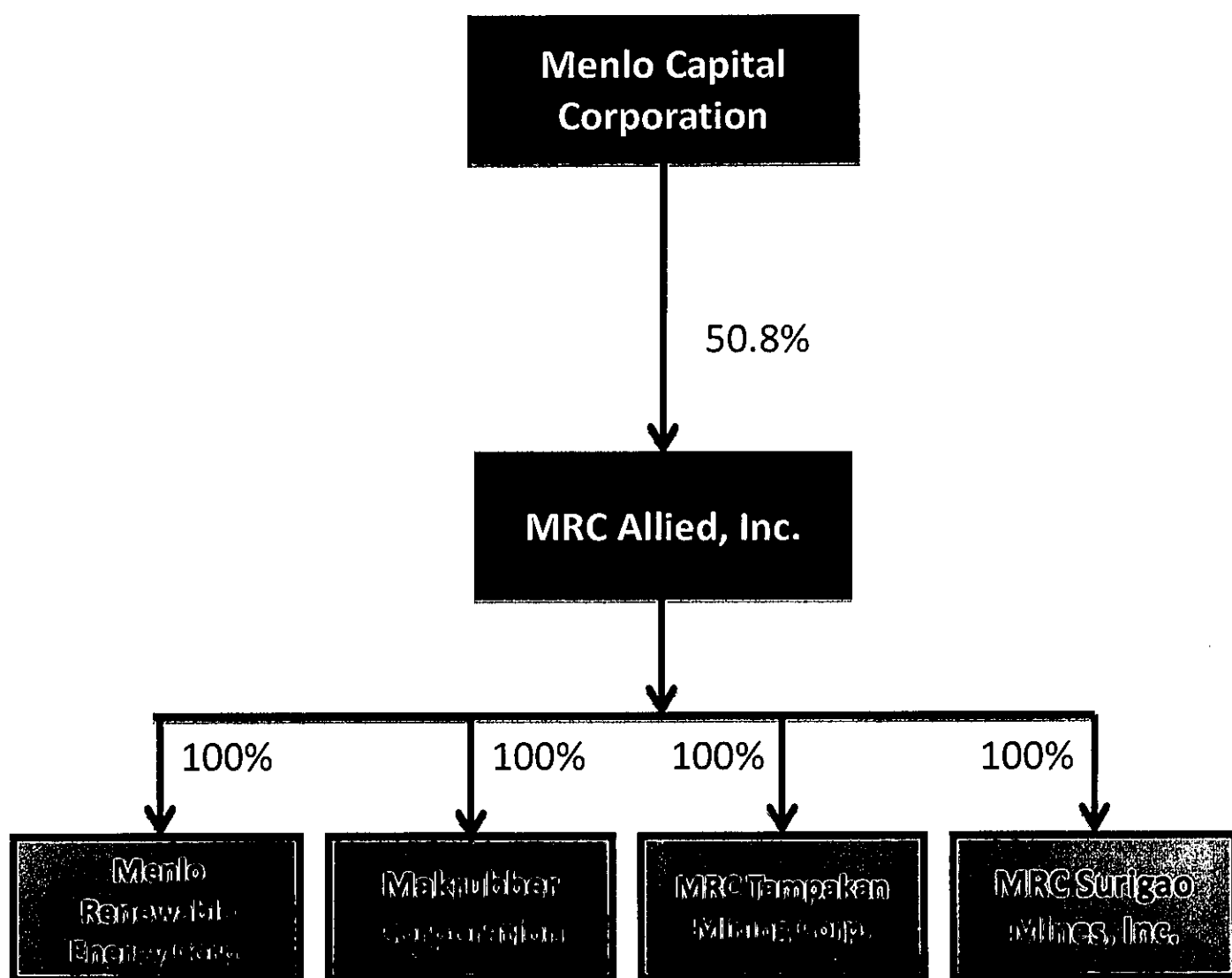
The Group is not a party to a guaranty agreement for securities of other issuing entities as at and for the year ended December 31, 2022.

Schedule G. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for captions, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common shares	15,000,000,000	8,512,658,975	–	4,328,174,716	2,602,006	4,181,882,253

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
AND SUBSIDIARIES

CONGLOMERATE MAP
DECEMBER 31, 2022





**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE OF FINANCIAL
SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
MRC Allied, Inc. and Subsidiaries
5/F Eurovilla 4 Bldg.
853 A. Arnaiz Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing the basic consolidated financial statements of MRC Allied, Inc. and Subsidiaries (the Group) as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020, and have issued our report thereon dated April 12, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule (SRC) 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these consolidated financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020, and no material exceptions were noted.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-ORTIZ
Partner

CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until April 13, 2024
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Valid until January 24, 2026
PTR No. 9564565
Issued January 3, 2023, Makati City

April 12, 2023
Makati City, Metro Manila

MRC ALLIED, INC. AND SUBSIDIARIES
(A Subsidiary of Menlo Capital Corporation)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2022 and 2021

Ratio	Formula	2022	2021
Current/Liquidity Ratio			
	Current assets	P258,878,727	P27,588,769
	Divided by: Current liabilities	1,034,040,196	1,002,729,089
	Current/Liquidity ratio	0.25:1.00	0.03:1.00
Solvency Ratio			
	Net income before depreciation and amortization	P29,743,160	P170,014,727
	Divided by: Total liabilities	1,452,575,146	1,399,402,939
	Solvency ratio	0.02:1.00	0.12:1.00
Debt-to-Equity Ratio			
	Total liabilities	P1,452,575,146	P1,399,402,939
	Divided by: Total equity	1,245,843,052	1,217,690,978
	Debt-to-Equity ratio	1.17:1.00	1.15:1.00
Asset-to-Equity Ratio			
	Total assets	P2,698,418,198	P2,617,093,917
	Divided by: Total equity	1,245,843,052	1,217,690,978
	Asset-to-Equity ratio	2.17:1.00	2.15:1.00
Interest Rate Coverage Ratio			
	Income before interest and taxes	P61,406,108	P173,743,032
	Divided by: Interest expense	12,399,288	15,688,327
	Interest Rate Coverage ratio	4.95:1.00	11.07:1.00
Return on Assets Ratio			
	Net income	P28,152,074	P167,826,249
	Divided by: Total assets	2,698,418,198	2,617,093,917
	Return on Assets ratio	0.01:1.00	0.06:1.00
Return on Equity Ratio			
	Net income	P28,152,074	P167,826,249
	Divided by: Total equity	1,245,843,052	1,217,690,978
	Return on Equity ratio	0.02:1.00	0.14:1.00
Net Profit Margin			
	Net income	P28,152,074	P167,826,249
	Divided by: Revenues	2,284,546	2,474,252
	Net Profit Margin	12.32:1.00	67.83:1.00

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 8 4 2 2 8

COMPANY NAME

M R C A L L I E D , I N C . (A S u b s i d i a r y o f M e n l o
C a p i t a l C o r p o r a t i o n)

PRINCIPAL OFFICE (No./Street/Barangay/City/Town, Province)

5 / F E u r o v i l l a 4 B l d g . , 8 5 3 A . A r n a i z A v
e n u e , M a k a t i C i t y

Form Type

A A S F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

helen.quiamno@mrcallied.com

Company's Telephone Number/s

6328 846-7910

Mobile Number

0908-738-0854

No. of Stockholders

629

Annual Meeting (Month / Day)

Second Monday of May

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Bernard B. Rabanzo

Email Address

renz.rabanzo@mrcallied.com

Telephone Number/s

6328 846-7910

Mobile Number

0905-229-7562

CONTACT PERSON'S ADDRESS

5/F Eurovilla 4 Bldg., 853 A. Arnaiz Avenue, Makati City

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

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE
SEPARATE FINANCIAL STATEMENTS**

The Management of **MRC Allied, Inc.** (the Company) is responsible for the preparation and fair presentation of the separate financial statements, including the schedules attached therein, as at **December 31, 2022 and 2021**, and for the years ended **December 31, 2022, 2021 and 2020**, 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

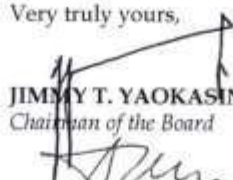
In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company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

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

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

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

Very truly yours,


JIMMY T. YAOKASIN
Chairman of the Board


AUGUSTO M. COSIO JR.
President and Chief Executive Officer

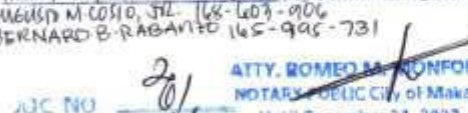

BERNARD B. RABANZO
Chief Financial Officer

Signed this 12th day of April 2023



14 APR 2023

Subscribed & sworn to before me this 14 APR 2023
at the office of the Affiant Exhibiting to me his
Timmy T. Yaokasin 179-183-430
Augusto M. Cosio, Jr. 168-603-906
Bernard B. Rabanzo 165-995-731


ATTY. ROMEO M. RONFORT
NOTARY PUBLIC City of Makati
Until December 31, 2023
App. Invent. No. M-172
PTE No. 9553521 / Jan. 3, 2023
IBF No. 175083 / 2-14-22 Pasig City
MCLE No. VI-0023417 Roll No. 27932
106 Amorolo St., Legaspi Village, Makati City

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
MRC Allied, Inc.
5/F Eurovilla 4 Bldg.
853 A. Arnaiz Avenue
Makati City

Opinion

We have audited the accompanying separate financial statements of MRC Allied, Inc. (the Company), a subsidiary of Menlo Capital Corporation, which comprise the separate statements of financial position as at December 31, 2022 and 2021, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2022, 2021 and 2020, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2022 and 2021, and its separate financial performance and its separate cash flows for the years ended December 31, 2022, 2021 and 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

As discussed in Note 1 to the financial statements, the Company has no revenue generating activity and has incurred significant expenses as it continues to explore and develop potential business ventures. As at December 31, 2022 and 2021, the Company's current liabilities exceeded its current assets by P703.7 million and P905.7 million, respectively.



14 APR 2023

These factors may cast a significant doubt on the ability of the Company to continue as a going concern.

The Company's stockholders, however, have continued to provide financial support to sustain the Company's operations and to meet its maturing obligations. Moreover, the Company has significant real estate properties and business development plans to generate capital to sustain operations over time.

The Company's investment properties in Naga City, Cebu and San Isidro, Leyte have an aggregate carrying amount of ₱2,158.6 million and ₱2,075.2 million as at December 31, 2022 and 2021, respectively, which the Group intends to realize through either outright sales or joint venture with property developers. The Company also has a 15% ownership in Sulu Electric Power and Light (Philippines) Inc., which owns and operate a 50 megawatt solar project in Palo, Leyte. In line with the Company's direction to focus on renewable energy projects, the Company has entered into a Memorandum of Agreement with a third party for the sale of its exploration and evaluation assets with a carrying amount of ₱231.7 million for ₱750.0 million in 2022.

To diversify its investment portfolio, the Company has started exploring business ventures in technology and digital solutions, and Information and Communication Technology. In February 2023, the Company entered into Memorandum of Agreement with Menlo Capital Corporation (MCC) to acquire 500,000,000 shares of Philippine Telegraph and Telephone Corporation (PT&T) held by MCC, equivalent to 33% ownership.

The Company has re-affirmed its plan to issue 1,428,571,428 shares, at ₱0.10 par value a share or equivalent to ₱142.9 million, at the issue price of ₱0.70 a share or equivalent to ₱1,000.0 million, through a private placement to finance the Company's current pipeline of investment acquisitions including the purchase of PT&T shares.

These business development plans are further discussed in Note 1 to the separate financial statements.

Our opinion is not modified in respect of these matters.

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.



Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, these 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 audits. 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent underlying transactions and events in a manner that achieves fair presentation.



- 4 -

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

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ
Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 9564565

Issued January 3, 2023, Makati City



14 APR 2023

April 12, 2023

Makati City, Metro Manila

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
SEPARATE STATEMENTS OF FINANCIAL POSITION

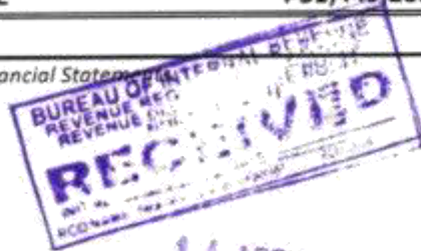
		December 31	
	Note	2022	2021
ASSETS			
Current Assets			
Cash in banks		P124,206	P216,388
Due from related parties	9	69,403,880	68,806,920
Asset held for sale	10	231,496,991	—
Other current assets	5	6,496,625	6,301,541
Total Current Assets		307,521,702	75,324,849
Noncurrent Assets			
Financial asset at fair value through other comprehensive income	7	255,250,000	255,250,000
Investment properties	4	2,158,624,000	2,075,249,000
Investments in shares of stock	7	108,405,952	108,405,952
Property and equipment	6	1,095,000	1,407,857
Exploration and evaluation assets	10	—	231,496,991
Total Noncurrent Assets		2,523,374,952	2,671,809,800
		P2,830,896,654	P2,747,134,649
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable - current portion	8	P25,605,794	P25,695,767
Accrued interest and penalties	8	423,632,778	411,462,396
Subscription payable	7	255,250,000	255,250,000
Due to a related party	9	282,284,641	265,267,269
Other current liabilities		24,409,419	23,305,576
Total Current Liabilities		1,011,182,632	980,981,008
Noncurrent Liabilities			
Retirement liability	12	13,623,425	11,940,204
Subscription payable	7	30,000,000	30,000,000
Deferred tax liabilities	14	400,724,025	379,880,275
Noncurrent portion of loans payable	8	—	415,871
Total Noncurrent Liabilities		444,347,450	422,236,350
Total Liabilities		1,455,530,082	1,403,217,358
Equity			
Capital stock		851,265,898	851,265,898
Retained earnings		524,100,674	492,651,393
Total Equity		1,375,366,572	1,343,917,291
		P2,830,896,654	P2,747,134,649

See accompanying Notes to Separate Financial Statements.

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2022	2021	2020
GENERAL AND ADMINISTRATIVE EXPENSES	11	₱18,682,934	₱20,621,654	₱17,488,541
FINANCE INCOME (COST)				
Interest expense and penalties	8	(12,399,288)	(15,688,327)	(15,646,199)
Interest income		253	232	163
		(12,399,035)	(15,688,095)	(15,646,036)
OTHER INCOME (CHARGES) - Net				
Gain on fair value changes of investment properties	4	83,375,000	220,646,000	1,291,797,617
Impairment losses - net		—	(23,610,644)	3,735,443
		83,375,000	197,035,356	1,295,533,060
INCOME BEFORE INCOME TAX		52,293,031	160,725,607	1,262,398,483
PROVISION FOR (BENEFIT FROM) DEFERRED INCOME TAX	14	20,843,750	(9,782,255)	387,539,285
NET INCOME		31,449,281	170,507,862	874,859,198
OTHER COMPREHENSIVE INCOME		—	—	—
TOTAL COMPREHENSIVE INCOME		₱31,449,281	₱170,507,862	₱874,859,198

See accompanying Notes to Separate Financial Statements



14 APR 2023

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31		
	2022	2021	2020
CAPITAL STOCK - P0.10 par value			
Authorized - 15,000,000,000 shares			
Issued and outstanding - 8,512,658,975 shares			
Balance at beginning and end of year	P851,265,898	P851,265,898	P851,265,898
RETAINED EARNINGS			
Balance at beginning of year	492,651,393	322,143,531	(552,715,667)
Net income	31,449,281	170,507,862	874,859,198
Balance at end of year	524,100,674	492,651,393	322,143,531
	P1,375,366,572	P1,343,917,291	P1,173,409,429

See accompanying Notes to Separate Financial Statements.



APR 2023

MRC ALLIED, INC.
(A Subsidiary of Menlo Capital Corporation)
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P52,293,031	P160,725,607	P1,262,398,483
Adjustments for:				
Gain on fair value changes of investment properties	4	(83,375,000)	(220,646,000)	(1,291,797,617)
Interest expense and penalties	8	12,399,288	15,688,327	15,646,199
Retirement benefits expense	12	1,683,221	1,576,117	1,101,090
Depreciation	6	312,857	156,429	—
Interest income		(253)	(232)	(163)
Impairment losses - net		—	23,610,644	(3,735,443)
Operating loss before working capital changes		(16,686,856)	(18,889,108)	(16,387,451)
Increase in other current assets		(195,084)	(541,342)	(641,436)
Increase (decrease) in other current liabilities		1,103,843	1,720,213	(307,066)
Net cash used for operations		(15,778,097)	(17,710,237)	(17,335,953)
Interest paid		(228,906)	(155,856)	—
Interest received		253	232	163
Net cash used in operating activities		(16,006,750)	(17,865,861)	(17,335,790)
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances made to related parties	9	(596,960)	(1,101,124)	(8,681,728)
Additions to property and equipment	6	—	(1,564,286)	—
Cash used in investing activities		(596,960)	(2,665,410)	(8,681,728)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from due to a related party	9	17,017,372	19,326,101	25,931,157
Payment of loans payable	8	(505,844)	(289,962)	—
Proceeds from loan availment	8	—	1,401,600	—
Net cash provided by financing activities		16,511,528	20,437,739	25,931,157
NET DECREASE IN CASH IN BANKS		(92,182)	(93,532)	(86,361)
CASH IN BANKS AT BEGINNING OF YEAR		216,388	309,920	396,281
CASH IN BANKS AT END OF YEAR		P124,206	P216,388	P309,920
NONCASH FINANCIAL INFORMATION				
Reclassification of exploration and evaluation assets to asset held for sale	10	P231,749,591	P—	P—
Reclassification of real estate projects to investment property	4	—	—	1,854,603,000

See accompanying Notes to Separate Financial Statements.

MRC ALLIED, INC.

(A Subsidiary of Menlo Capital Corporation)

NOTES TO SEPARATE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2022 AND 2021

AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

1. Corporate Information

General Information

MRC Allied, Inc. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 20, 1990. Its shares are publicly traded in the Philippine Stock Exchange (PSE). The Company is primarily engaged in the business of a holding company, and for that purpose either in the name of the Company or in the name of any other company.

The Company's registered principal and business address is 5/F Eurovilla 4 Bldg. 853 A. Arnaiz Avenue, Makati City.

On May 7, 2021, the Company's Board of Directors (BOD) approved the amendment to the Articles of Incorporation (AOI) to change the Company's principal business address to 4th Floor Spirit of Communication Centre 106 Carlos Palanca St., Legaspi Village, Makati City. Moreover, on September 13, 2022, the BOD approved another amendment to the AOI to increase the par value of Company shares from ₱0.10 a share to ₱1.00 a share. As at December 31, 2022 and 2021, the Company has not yet submitted the application for the amended AOI with the SEC.

The Company is 50.8% owned by Menlo Capital Corporation (MCC or Parent), a company incorporated and domiciled in the Philippines and is engaged in the business of investment house. On May 19, 2021, the Company has obtained the approval of the PSE for the additional listing of 4,387,658,975 shares owned by MCC with listing date of August 13, 2021. However, these shares were subjected to a mandatory lock up period of 180 days from the date of listing. Starting February 10, 2022, these shares have been eligible for trading in the PSE following the expiration of the 180-day lock up period on February 9, 2022.

The total number of Company shares owned by the public represent 49.1% and 48.4% of the total issued shares and outstanding as at December 31, 2022 and 2021, respectively.

The Company's subsidiaries, which were incorporated and domiciled in the Philippines, are as follows:

	Date of Incorporation	Nature of Business	% of Ownership
Menlo Renewable Energy Corporation (MREN)	2015	Renewable energy	100
MRC Tampakan Mining Corporation (MRC Tampakan)	2011	Mining	100
MRC Surigao Mines, Inc. (MRC Surigao)	2011	Mining	100
Makrubber Corporation (Makrubber)	1990	Processing and export of natural rubber products	100

Makrubber ceased commercial operations in 2011.

MRC Tampakan and MRC Surigao have not yet started commercial operations. MREN has a capitalization of ₱35.0 million, while MRC Surigao and MRC Tampakan have a capitalization of ₱5.0 million each.

Approval of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020 were approved and authorized for issuance by the BOD on April 12, 2023.

Status of Operations

The Company has no revenue generating activity and has incurred significant expenses as it continues to explore and develop potential business ventures. The Company's current liabilities exceeded its current assets by ₱703.7 million and ₱905.7 million as at December 31, 2022 and 2021, respectively.

These factors indicate material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The Company has investment properties in Naga City, Cebu, and San Isidro, Leyte with aggregate carrying amount of ₱2,158.6 million and ₱2,075.2 million as at December 31, 2022 and 2021, respectively. The Company intends to realize these investment properties by either outright sales or joint venture with property developers (see Note 4).

The Company also has a 15% ownership in Sulu Electric Power and Light (Philippines) Inc. [SEPALCO] which owns and operates a 50-megawatt solar project located in Palo, Leyte for ₱255.3 million (see Note 7). The power generated from this project is currently being sold to Wholesale Electricity Spot Market (WESM).

In line with the Company's direction to focus on renewable projects, the Company's BOD approved to sell its exploration and evaluation assets with a carrying amount of ₱231.5 million. Subsequently, on March 10, 2022, the Company entered into a Memorandum of Agreement with a third party to sell these exploration and evaluation assets. Under the agreement, the contracting parties shall execute a Deed of Assignment to transfer the rights of the exploration and evaluation assets to the buyer. As at December 31, 2022, the contracting parties have not yet finalized the Deed of Assignment (see Note 10).

To further diversify its investment portfolio, the Company has started exploring business ventures in technology and digital solutions, and Information and Communication Technology (ICT), in order to leverage on the country's aggressive digital transformation programs.

On February 27, 2023, the Company entered into a Memorandum of Agreement with MCC to purchase 500,000,000 shares of stock, with ₱1.00 par value a share, of Philippine Telegraph and Telephone Corporation (PT&T) held by MCC, equivalent to 33% ownership. Under the agreement, the contracting parties should close the sale within sixty (60) days from the date of the agreement ("Closing Period").

Significant provisions in the agreement also include:

- a. Finalize the terms of reference which details the purchase price, schedule of payments and other material terms and conditions of the sale within thirty (30) days from the date of the agreement; and,
- b. Execute a definitive agreement based on the terms of reference within the Closing Period.

As at the date of the approval and issuance of the separate financial statements, the Company and MCC are still in the process of finalizing the terms of the sale.

In 2021, the Company re-affirmed its plan to issue 1,428,571,428 shares, at ₱0.10 par value a share or equivalent to ₱142.9 million, at the issue price of ₱0.70 a share or equivalent to ₱1,000.0 million, through a private placement. On March 8, 2023, the SEC approved the amendment on the use of proceeds of this private placement to also cover investment acquisitions in ICT which includes the purchase of PT&T shares. As at the date of the approval and issuance of the separate financial statements, the Company is in the process of negotiating the terms of the subscriptions with the potential investors.

In the meantime, the Company stockholders have continued to provide financial support to sustain Company operations and to meet its maturing obligations. Due to a related party has aggregated ₱282.3 million and ₱265.3 million as at December 31, 2022 and 2021, respectively (see Note 9).

The ability of the Company to continue as a going concern depends largely on the successful implementation and outcome of the foregoing business development plans, and the continuing financial support of the Company stockholders.

2. Summary of Significant Accounting Policies

Basis of Preparation

The separate financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements.

The Company also prepares and issues consolidated financial statements which are available for public use. The consolidated financial statements can be obtained at the Company's registered office address and at the SEC.

Measurement Bases

The separate financial statements are presented in Philippine Peso (Peso), which is the Company's functional currency. All amounts are rounded to the nearest Peso, unless otherwise indicated.

The separate financial statements of the Company have been prepared under the historical cost basis except for investment properties which are measured at fair value and investment in unquoted securities which are measured at fair value through other comprehensive income (FVOCI). Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange for incurring a liability.

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal on the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best interest.

A fair value measurement of nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair values are included in the following notes to the financial statements:

- Note 4 – Investment properties
- Note 15 – Financial Instruments

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS as at January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle -
 - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments.

Amended PFRS in Issue But Not Yet Effective

Relevant amended PFRS which are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by

adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities 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. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - Noncurrent Liabilities with Covenants for that period.
- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - Classification of Liabilities as Current or Noncurrent for that period.

Deferred effectivity -

Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28 - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS has no material effect on the separate financial statements of the Company. Additional disclosures have been included in the notes to separate financial statements, as applicable.

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, are done using trade date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

The Company does not have financial assets and liabilities at FVPL and debt instruments designated at FVOCI as at December 31, 2022 and 2021.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2022 and 2021, the Company's cash in banks, deposits and due from related parties are classified under this category.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and,
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income (OCI) are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the separate statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2022 and 2021, the Company designated its unquoted investment in equity securities as financial assets at FVOCI.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2022 and 2021, the Company's loans payable, accrued interest and penalties, due to a related party, and subscription payable are classified under this category.

Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss. Meanwhile, for a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment of Financial Assets at Amortized Cost

The Company records an allowance for expected credit loss (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For other financial assets measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the separate statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Asset Held For Sale

Asset held for sale pertains to exploration and evaluation assets whose carrying values will be recovered principally through sale transaction rather than through continuing use. These assets are available for immediate sale in its present condition and the sale is highly probable. Subsequent to initial recognition, these are measured at the lower of its carrying amount and fair value less costs to sell.

Other Current Assets

Other current assets consist of input value-added tax (VAT) and deposits.

Input VAT. Input VAT represents tax imposed on the Company by its suppliers for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Company's current VAT liability.

Deposits. Deposits represent payments made in relation to the lease entered into by the Company. These are carried at cost less any impairment in value, and will generally be applied as lease payment or final payment at the end of the agreements.

Investments in Subsidiaries

The Company's investments in subsidiaries are accounted for at cost less impairment in value, if any. Subsidiaries are entities over which the Company has the power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The reporting dates of the subsidiaries of the Company are identical and the subsidiaries' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Investment Properties

Investment properties include land held for the purpose of earning rentals or for capital appreciation or both. These properties are not held to be used in production or sale in the ordinary course of business.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects the market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the separate statements of comprehensive income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the separate statements of comprehensive income in the year of retirement or disposal.

Transfers are made to and from investment properties when, and only when, there is a change in use, evidenced by a) commencement of owner-occupation, for a transfer from investment property to owner-occupied; b) commencement of development with a view to sale, for a transfer from investment property to assets held for sale; c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or d) commencement of an operating lease to another party, for a transfer from property and equipment to investment property.

Exploration and Evaluation Assets

Exploration and evaluation assets represent the Company's acquired rights to do exploration and evaluation of certain mining areas. Expenditures for mine exploration work prior to and subsequent to drilling are deferred as incurred. These shall be written-off if the results of the exploration work are determined to be not commercially viable. If the results are commercially viable, the deferred expenditures and the subsequent development cost shall be capitalized and amortized from the start of commercial operations using the units-of-production method based on estimated recoverable reserves, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Property and Equipment

Property and equipment are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met, and the estimated present value of the cost of dismantling and removing the asset and restoring the site. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to profit or loss in the year such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated and amortized separately.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The estimated useful lives and method of depreciation are reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives of items of property and equipment are as follows:

	Number of Years
Transportation equipment	5
Furniture, fixtures and equipment	3
Land improvements	5

When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation are removed from the accruals and any resulting gain or loss is recognized in the separate statements of comprehensive income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the separate statements of comprehensive income in the year the item is derecognized.

Fully depreciated property and equipment are retained in the accounts until these are no longer in use and no further depreciation is charged to current operations.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying value of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate statements of comprehensive income.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, the increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Capital Stock

Capital stock is measured at par value for all shares issued.

Retained Earnings

Retained earnings represent cumulative balance of the Company's results of operations.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

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

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the assets.

Other Income. Other income is recognized when earned during the period.

Expense Recognition

Expenses are recognized in the separate statements of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase of liability has arisen that can be measured reliably.

General and Administrative. General and administrative expenses constitute cost of administering the business. These are expensed as incurred.

Interest Expense. Interest expense represents the cost of money used in operations. It is recognized as incurred using the effective interest rate method.

Penalties. Penalties represent the cost of money paid for late charges. These are expensed as incurred.

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic salary, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

Retirement Benefits. The Company has an unfunded, defined benefit retirement plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailment and non-routine settlements; and net interest expense or income in separate statements of comprehensive income. Net interest is calculated by applying the discount rate to the retirement liability. Past service cost are recognized in profit or loss on the earlier of the date of the plan amendment curtailment, and the date the Company recognizes restructuring related costs.

Remeasurements pertaining to actuarial gains and losses are recognized immediately in OCI and are closed to retained earnings (deficit) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability pertains to the present value of the retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in PFRS 16.

The Company as a lessee applies the short-term lease recognition exemption to its short-term lease of office space (i.e., leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying value for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized under other comprehensive income and outside profit or loss.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related Party Relationships and Transactions

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

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions with related parties are accounted for at arm's length prices or terms similar to those offered to non-related entities in an economically comparable market.

Provisions

Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the separate statements of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

Contingent liabilities are not recognized in the separate financial statements but are disclosed in the notes to separate financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the separate financial statements but are disclosed in the notes to separate financial statements when inflows of economic benefits are probable.

Events After the Reporting Date

Events after the reporting period that provide additional information about the Company's financial statements at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of separate financial statements require management to exercise judgments, make estimates and assumptions that affect the application of accounting principles and amounts reported in the separate financial statements and related notes. The judgments and estimates used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

The critical judgments, apart from those involving estimations, that the management has made and that have the most significant effect on the amounts recognized in the separate financial statements are discussed below.

Assessing the Company's Ability to Continue as a Going Concern. The Company has no revenue generating activity and has incurred significant expenses as it continues to explore and develop potential business ventures. Moreover, as at December 31, 2022 and 2021, the Company's current liabilities exceeded its current assets by ₱703.7 million and ₱905.7 million, respectively.

With the Company's business development plans as discussed in Note 1, investment properties with fair value aggregating ₱2,158.6 million and ₱2,075.2 million as at December 31, 2022 and 2021, respectively, and the stockholders' continuing financial support to sustain the Company's operations, management has assessed that the Company has the ability to continue to operate on a going concern basis.

Assessing Control and Ownership over Investment Properties. As discussed in Note 4, the Company, has investment properties comprising a 192-hectare industrial estate in Naga City, Cebu (which properties are covered either only by Deeds of Absolute Sale/Assignment in favor of the Company and/or Tax Declarations and without any certificates of titles in the Company's name) and a 700-hectare land in Leyte (covered by Transfer Certificates of Title). Management has assessed whether or not the Company has control over these properties based on the practical ability to control and direct the use of these assets. The Company has been exercising control and administration over these properties, including the right to dispose the same. It is the intention of the Company to dispose of these properties covered by titles, deeds of absolute sale/assignment and tax declarations through outright sales or through joint venture with property developers. Thus, management has assessed that the Company has the control and ownership of the investment properties.

Classifying Investment Properties and Property and Equipment. The Company determines whether a property is classified as investment property or property and equipment:

- Investment properties comprise land and buildings that are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rent income or for capital appreciation. These are real estate properties that are primarily held for capital appreciation and not intended to be sold in the ordinary course of business.
- Property and equipment are tangible items that are held for use in the production or supply of goods or services and are expected to be used for more than one period. These are owner-occupied properties which are substantially for use of the Company or in the operations.

Determining the Highest and Best Use of Investment Properties. The Company determines the highest and best use of investment properties when measuring fair value. In making its judgment, the Company takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Company has determined that the highest and best use of the investment properties is their current use (see Note 4).

Classifying Financial Instruments. The Company exercises judgment in classifying financial instruments in accordance with PFRS 9. The Company classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's separate statements of financial position. The Company has designated its 15% ownership in the unquoted shares of SEPALCO as financial assets at FVOCI (see Note 7).

Determining Control over Investment in Subsidiaries. The Company determines that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following factors were also considered:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Company's voting rights and potential voting rights

Determining Whether an Agreement Contains a Lease. The Company determined whether agreements entered into contain a lease based on the substance of the arrangement at inception date. In determining whether an agreement contains a lease, management assessed whether the arrangement is dependent on the use of a specific asset or assets, conveys a right to uses of the asset and transfers substantially all the risks and rewards incidental to ownership to the Company.

The Company has entered into an agreement for the lease of its office space which the management has assessed as an operating lease.

Classifying Lease Commitments - Company as a Lessee. The Company has entered into a lease agreement for its office space for a period of one year and renewable upon the mutual consent of both parties. The Company elected not to recognize ROU assets and lease liability for short-term leases. Consequently, the Company recognizes the lease payments associated with this agreement as an expense on a straight-line basis over the lease term.

Assessing Legal Contingencies. The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

As at December 31, 2022, the Company is involved in litigations and claims, which arise in the normal course of business. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with legal counsel handling the Company's defense in these matters and is based upon an analysis of potential results. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, the Company is not required to disclose information that may prejudice the position of the Company on the subject matter of the provision.

Estimates and Assumptions

The key assumptions concerning future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determining the Fair Value of Investment Properties. The Company uses the fair value model of accounting for investment properties. The fair values are determined by an independent appraiser.

The value of the investment properties was arrived at using the Sales Comparison Approach which considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison.

In valuing the Company's investment properties, records of recent sales and offerings of similar lands are analyzed and comparisons were made for company-specific factors, such as, size, characteristics of the lot, location, quality and prospective use. Although these inputs are subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions. Estimated fair value may vary from the actual price that would be achieved in an arm's length transaction at the reporting date.

The carrying amount and fair value of investment properties are disclosed in Note 4.

Determining the Fair Value of Financial Asset at FVOCI. Management has assessed that the carrying amount is the best estimate of fair value of the financial assets at FVOCI because there have been no significant developments from the date the investment was acquired that could drive significant change in fair value as at December 31, 2022 and 2021. The carrying amounts of the financial asset at FVOCI as at December 31, 2022 and 2021 are disclosed in Note 7.

Estimating Provision for ECL on Financial Assets at Amortized Cost. The Company measures the loss allowance for a financial asset at amortized cost at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward-looking. For financial instruments for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

No allowance for ECL on financial assets at amortized cost was recognized in 2022 and 2021. The carrying amount of deposits due from related parties as at December 31, 2022 and 2021 are disclosed in Note 5 and 9.

Estimating Useful Lives of Property and Equipment. The Company estimates the useful life of each property and equipment based on the period over which the property and equipment are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of the property and equipment in 2022 and 2021. The carrying amount of the Company's property and equipment is disclosed in Note 6.

Assessing the Impairment of Nonfinancial Assets. The Company determines whether an asset is impaired when indication exists, or when an annual impairment testing for an asset is required. Determining the fair value of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, require the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's separate financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

Provision for (reversal of) allowance for impairment losses on other current assets amounted to nil in 2022, ₱3.6 million in 2021 and (₱3.7 million) in 2020.

The carrying amounts of significant nonfinancial assets as at December 31 are as follows:

	Note	2022	2021
Asset held for sale	10	₱231,496,991	₱—
Other current assets*	5	6,295,025	6,099,941
Investments in subsidiaries	7	108,405,952	108,405,952
Investment properties	4	2,158,624,000	2,075,249,000
Property and equipment	6	1,095,000	1,407,857
*Excluding deposits			

Assessing the Recoverability of Exploration and Evaluation Assets. The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether the future economic benefits are likely, based on assumptions made and may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the separate statements of comprehensive income in the period when the new information becomes available. The Company reviews the carrying amount of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable values and exceed their fair values.

On February 17, 2022, the Company's BOD approved to sell its exploration and evaluation assets with a carrying value of ₱231.5 million which resulted to the reclassification of these assets to 'Asset Held for Sale' in the separate statements of financial position. Subsequently, in March 2022, the Company has entered into a Memorandum of Agreement with a third party for the sale of the exploration and evaluation assets (see Note 10). As at December 31, 2022, the carrying values of the asset held for sale is lower than the negotiated price of the transaction.

Further, in 2020, the MGB denied the Company's application of an Exploration Permit (EP) with a carrying amount of ₱214.0 million because of a lacking documentary requirement. The Company filed a Motion for Reconsideration (MR) to reverse the order of denial and requested for an extension of the period to comply with the lacking requirement due to circumstances beyond the Company's control. As at the date of the approval and issuance of these separate financial statements, the result of the MGB's ruling on the MR is still pending. Management has assessed that there is no impairment loss on these exploration and evaluation assets for 2022, 2021 and 2020.

The carrying amounts of asset held for sale and exploration and evaluation assets as at December 31, 2022 and 2021 are disclosed in Note 10.

Assessing Impairment on Investment in Subsidiaries. The Company assesses any impairment on its investment in subsidiaries whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Indicators such as significant decline in market value and significant negative industry or economic trends are considered by the Company in deciding when to perform impairment review.

No impairment loss on investment in subsidiaries was recognized in 2022, 2021, and 2020. The carrying amounts of the investment in subsidiaries as at December 31, 2022 and 2021 are disclosed in Note 7.

Estimating Retirement Liability. The determination of obligation and cost for provision for retirement benefits is dependent on the selection of certain assumptions, notwithstanding the simplification in estimating retirement liability. While the Company believes that the assumption is reasonable and appropriate, significant differences in the actual experience or significant changes in the assumption may materially affect the retirement liability.

The carrying amounts of retirement liability, retirement benefits expense and the significant assumptions in calculating such amounts are disclosed in Note 12.

Assessing Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of NOLCO and excess MCIT is based on the forecasted taxable income of the following reporting period. This forecast is based on the Company's past results and future expectations on revenue and expenses.

The carrying amounts of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized in the future.

Deferred tax assets were not recognized because management assessed that it may not be probable that sufficient future taxable income will be available against which the Company can utilize the benefits therefrom. The carrying amounts of unrecognized deferred tax assets as at December 31, 2022 and 2021 are disclosed in Note 14.

4. Investment Properties

This account pertains to the real estate properties comprising a 192-hectare industrial estate in Naga City, Cebu (which properties are covered either only by Deeds of Absolute Sale/Assignment in favor of the Company and/or Tax Declarations and without any certificates of titles in the Company's name) and a 700-hectare land in San Isidro, Leyte (covered by Transfer Certificates of Title).

Details and movements in this account follows:

	2022		Total
	Naga City, Cebu	San Isidro, Leyte	
Cost			
Balance at beginning and end of year	₱203,547,668	₱359,257,715	₱562,805,383
Cumulative Changes in Fair Value			
Balance at beginning of year	1,020,648,332	491,795,285	1,512,443,617
Fair value gain	38,583,000	44,792,000	83,375,000
Balance at end of year	1,059,231,332	536,587,285	1,595,818,617
Carrying Amount	₱1,262,779,000	₱895,845,000	₱2,158,624,000

	2021		
	Naga City, Cebu	San Isidro, Leyte	Total
Cost			
Balance at beginning and end of year	₱203,547,668	₱359,257,715	₱562,805,383
Cumulative Changes in Fair Value			
Balance at beginning of year	848,940,332	442,857,285	1,291,797,617
Fair value gain	171,708,000	48,938,000	220,646,000
Balance at end of year	1,020,648,332	491,795,285	1,512,443,617
Carrying Amount	₱1,224,196,000	₱851,053,000	₱2,075,249,000

About 82 hectares of the properties in Naga City, Cebu are covered by Tax Declarations and Deeds of Absolute Sale/Assignment in favor of the Company while about 100 hectares are covered by Tax Declarations in the names of the original owners. The remaining 10 hectares are not covered by Deeds of Assignment/Sale. These properties are not yet covered by Transfer Certificates of Title and are not registered in the Company's name as the title to these properties are still in the names of the assignors or previous owners. The Company, however, has maintained actual, open, continuous, exclusive, notorious, and uninterrupted possession of the properties. Any person who questions the Company ownership over these properties will have to show by preponderance of evidence that they have a greater claim over the Company. Moreover, the Company has been exercising control and administration over these properties, including the right to dispose the same. The San Isidro, Leyte properties, however, are covered by Transfer Certificates of Title.

It is the intention of the Company to dispose of or sell these properties covered by titles, deeds of absolute sale/assignment and tax declarations through outright sales or through joint venture with property developers.

In January 2020, the DAR issued a press release on the distribution of 2,200 hectares of agricultural land in San Isidro, Leyte, which includes the land owned by the Company, to qualified agrarian reform beneficiaries under the CARP. As of the date of the approval and issuance of this separate financial statements, the Company has not received a formal notice from the DAR or other government agencies regarding the planned distribution.

No revenue was earned from the investment properties in 2022, 2021, and 2020.

Fair Value

The fair values of the investment properties aggregating ₱2,158.6 million for 2022 are based on the appraisal reports dated March 6, 2023 and March 16, 2023 as determined by an independent appraiser. The fair values aggregating ₱2,075.2 million for 2021 are based on appraisal report dated November 22, 2021 and December 28, 2021 as determined by an independent appraiser. Management assessed that there were no significant changes in fair values between the dates of appraisal and financial statements report date.

The fair values of the investment properties were determined using the Sales Comparison Approach. This approach considers the sales of similar properties of related market data and establishes a value estimate by process involving comparison. Under this approach, the sales prices of comparable properties in close proximity are used in the valuation of the subject property with adjustments made on the price for differences in the key attributes such as property size, zoning and accessibility.

The fair values were categorized as level 2 (significant unobservable inputs) and the significant unobservable input used in determining values is discussed as follows:

	2022	2021
Price per square meter	P200 to P2,500	P190 to P2,400
Value adjustments	(5%) to (50%)	(10%) to (60.0%)

Price per square meter pertains to the estimated value prevailing in the real estate market depending on the location, area and time element. Value adjustments are adjustments made to bring the comparative values in approximation to the properties taking into account internal factors such as marketability, location, terrain, size, shape and development.

Sensitivity Analysis. The following factors were considered in determining the market value of the subject property:

- property location and neighborhood data;
- present use of the properties are industrial (Naga City, Cebu) and residential/agricultural (San Isidro, Leyte);
- quantitative market value adjustments based on internal factors; and,
- highest and best use (industrial and residential/agricultural)

Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

As at December 31, 2022 and 2021, there were no transfers between levels in the fair value hierarchy.

5. Other Current Assets

This account consists of:

	Note	2022	2021
Input VAT		P6,295,025	P6,099,941
Deposits	13	201,600	201,600
		P6,496,625	P6,301,541

Provision for (reversal of) allowance for impairment losses on other current assets amounted to nil in 2022, P3.6 million in 2021 and (P3.7 million) in 2020. In 2021, the Company has written off deposits and CWT aggregating P7.0 million.

6. Property and Equipment

Details and movements in this account follow:

	2022			
	Transportation Equipment	Furniture, Fixtures and Equipment	Land Improvements	Total
Cost				
Balance at beginning and end of year	₱2,260,710	₱2,438,073	₱7,076,743	₱11,775,526
Accumulated Depreciation				
Balance at beginning year	852,853	2,438,073	7,076,743	10,367,669
Depreciation	312,857	—	—	312,857
Balance at end year	1,165,710	2,438,073	7,076,743	10,680,526
Carrying Amount	₱1,095,000	₱—	₱—	₱1,095,000

	2021			
	Transportation Equipment	Furniture, Fixtures and Equipment	Land Improvements	Total
Cost				
Balance at beginning year	₱696,424	₱2,438,073	₱7,076,743	₱10,211,240
Additions	1,564,286	—	—	1,564,286
Balance at end year	2,260,710	2,438,073	7,076,743	11,775,526
Accumulated Depreciation				
Balance at beginning year	696,424	2,438,073	7,076,743	10,211,240
Depreciation	156,429	—	—	156,429
Balance at end year	852,853	2,438,073	7,076,743	10,367,669
Carrying Amount	₱1,407,857	₱—	₱—	₱1,407,857

Fully depreciated property and equipment still being used in operations amounted to ₱10.4 million as at December 31, 2022 and 2021.

7. Investments in Shares of Stock

Investment in Subsidiaries

This account consists of:

	2022	2021
Investment in subsidiaries:		
MREN	₱68,405,952	₱68,405,952
MRC Tampakan	20,000,000	20,000,000
MRC Surigao	20,000,000	20,000,000
	₱108,405,952	₱108,405,952

The subsidiaries have not started commercial operations. The related subscription payable to a subsidiary amounted to ₱30.0 million as at December 31, 2022 and 2021.

The key financial information of subsidiaries follows:

	2022		
	MREN	MRC Surigao	MRC Tampakan
Total assets	₱21,902,768	₱4,224,133	₱—
Total liabilities	37,942,055	31,653,538	500,000
Capital deficiency	(16,039,287)	(27,429,405)	(500,000)
Net loss	(2,946,069)	(1,622,960)	—

	2021		
	MREN	MRC Surigao	MRC Tampakan
Total assets	₱23,857,775	₱4,224,133	₱—
Total liabilities	36,940,095	31,398,138	500,000
Capital deficiency	(13,082,320)	(27,174,005)	(500,000)
Net loss	(2,339,613)	(342,000)	—

Financial asset at fair value through other comprehensive income

Financial asset at FVOCI pertains to the 15% investment in the shares of stock of SEPALCO. The related subscription payable is due and demandable.

The Company designated its investment in SEPALCO as financial asset at FVOCI because the Company intends to hold this investment for the long term and for strategic purposes. The Company assessed that the cost of investment is the appropriate estimate of its fair value because there have been no significant developments from the date the investment was acquired that could drive significant change in fair value as at December 31, 2022 and 2021.

No financial asset at FVOCI were disposed of and there were no transfers of any cumulative gain or loss within equity relating to these investments in 2022, 2021, and 2020.

8. Loans Payable

Movements in loans payable as at December 31 are as follows:

	2022	2021
Balance at beginning of year	₱26,111,638	₱25,000,000
Payments	(505,844)	(289,962)
Availments	—	1,401,600
Balance at end of year	₱25,605,794	₱26,111,638

These loans are broken down as follows:

	2022	2021
Current	₱25,605,794	₱25,695,767
Noncurrent	—	415,871
	₱25,605,794	₱26,111,638

Bank loan amounting to ₱25.0 million represents unsecured, due and demandable loan from First Metro Investment Corporation at 13% annual interest that has been outstanding since February 1998. Interest and penalties on this loan amounted to ₱12.2 million in 2022, ₱15.5 million in 2021 and ₱15.6 million in 2020.

In July 2021, the Company obtained an auto loan from a local financial institution amounting to ₱1.4 million to finance the purchase of a transportation equipment. This loan is payable in twenty four (24) equal monthly installments and bears an annual interest rate of 24.3%. Interest expense on this loan amounted to ₱0.2 million in 2022 and 2021.

Total interest and penalties consist of:

	2022	2021	2020
Interest	₱3,249,800	₱3,405,856	₱3,253,550
Penalties	9,149,488	12,282,471	12,392,649
	₱12,399,288	₱15,688,327	₱15,646,199

There were no borrowing costs capitalized in 2022, 2021 and 2020.

Accrued interest and penalties amounted to ₱423.6 million and ₱411.5 million as at December 31, 2022 and 2021, respectively.

9. Related Party Transactions

The Company, in the normal course of business, has transactions with its related parties.

The following summarizes the related party transactions of the Company and its outstanding balances as at and for the years ended December 31, 2022 and 2021:

	Nature of Transactions	Transactions during the Year		Outstanding Balance	
		2022	2021	2022	2021
Due from:					
Stockholder	Advances	₱596,960	₱1,177,384	₱42,401,713	₱41,804,753
Subsidiaries	Advances for working capital	-	-	27,002,167	27,002,167
Officers	Advances for business purpose	-	(330,705)	-	-
Less allowance for impairment loss	Write-off	-	254,445	-	-
		₱596,960	₱1,101,124	₱69,403,880	₱68,806,920
Due to -					
Parent	Advances for working capital	₱17,017,372	₱19,326,101	₱282,284,641	₱265,267,269

Terms and Conditions

Outstanding balances from a related party, except advances to officers, and the Parent are unsecured, noninterest-bearing, collectible or payable on demand and are settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

Advances to officers are unsecured, noninterest-bearing and are settled through liquidation for a specified period of time.

No provision for ECL on due from related parties was provided in 2022, 2021 and 2020. In 2021, the Company wrote off advances to officers amounting to ₱0.2 million.

Key Management Personnel

Management and professional fees of key management personnel of the Company amounted to ₱1.6 million in 2022 and 2021, and ₱1.1 million in 2020.

10. Significant Agreements

Mines Operating Agreements (MOA)

The Company has MOA for gold and copper covering mining areas where Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) have applications for EP or Mineral Production Sharing Agreement (MPSA) with the MGB. These are summarized as follows:

Holder	Date	Location	No. of Hectares as at December 31, 2022	No. of Hectares as at December 31, 2021
AMC	November 8, 2010	Kiblawan, Davao del Sur and Columbio, Sultan Kudarat (AMC Kiblawan)	7,559.1	7,559.1
	January 7, 2011	Marihatag, Surigao del Sur (AMC Marihatag)	3,759.3	3,759.3
	March 28, 2011	Boston and Cateel, Davao Oriental (PMC Boston-Cateel)	4,860.0	4,860.0
PMC	February 4, 2011	Paquibato, Davao City (PMC Paquibato)	593.2	593.2

Each MOA provides for, among others:

- 3% royalty on gross proceeds or gross sales of all mineral production payable 15 days after every three months commencing at the end of the first full quarter after the commencement of production; and,
- ₱2.0 million to ₱3.0 million royalty advances at every anniversary date of the MOA. However, the Company has not yet provided any royalty advances for the MOA dated March 28, 2011 due to pending exploration permits.

Moreover, the Company will assume all financial costs and expenditures and provide all technical expertise, manpower and support to AMC and PMC to get the necessary MPSA for the mining areas and to comply with the tenement requirements to bring the mining agreements into commercial mining production and operation within the earliest time possible. The agreements with the Philippine government shall always be in the name of AMC and PMC with the Company as the operator.

The carrying amount of these exploration and evaluation assets consists of:

	2022	2021
AMC Kiblawan	₱214,000,000	₱214,000,000
PMC Paquibato	17,496,991	17,496,991
	₱231,496,991	₱231,496,991

In consideration for the MOA dated November 8, 2010 (AMC Kiblawan) and February 4, 2011 (PMC Paquibato), MCC issued 600 million MCC shares each to AMC and PMC in 2011 equivalent to ₱464.3 million. In 2020, the Company wrote off exploration and evaluation assets of ₱232.5 million as a result of the reduction of the mining area covered by the EP for PMC Paquibato.

The Company has not yet transferred the 600 million common shares at ₱0.10 par value for the MOA dated March 28, 2011 (PMC Boston-Cateel) pending the final determination of the mining areas by PMC. The consideration for the MOA dated January 7, 2011 (AMC Marihatag), which was entered into by MRC Surigao, is subject to a separate agreement. As at December 31, 2022 and 2021, the Company is awaiting the lifting of the moratorium on the issuance of new mining permits by the Department of Environment and Natural Resources (DENR) to finalize the terms of the MOA.

On September 15, 2020, the MGB released an Order of Denial covering the EP application for AMC Kiblawan because of a failure to comply with a documentary requirement within the specified period. The Company has been persistent in obtaining the required document, however, because of the limitations brought by the Covid-19 related mandated lockdowns and other circumstances beyond the Company's control, the document was not obtained and submitted within the required period. Pursuant to the MGB's guidelines and procedures, the Company filed a Motion for Reconsideration to reverse the denial. The decision on the motion is pending as at the date of the approval and issuance of these separate financial statements.

On February 17, 2022, the Company's BOD approved to sell the exploration and evaluation assets resulting to the reclassification of these assets to 'Asset Held For Sale'. On March 10, 2022, the Company entered into a Memorandum of Agreement with a third party for the sale of the MOA for AMC Kiblawan, PMC Paquibato, PMC Boston-Cateel and AMC Marihatag for ₱750.0 million. As at December 31, 2022, the carrying values of the exploration and evaluation assets is lower than the negotiated price of the transaction.

Moreover, under the agreement, the parties undertake to execute a Deed of Assignment to transfer the rights of the exploration and mining assets to the buyer. As at the date of the approval and issuance of these separate financial statements, the contracting parties have not yet finalized the Deed of Assignment.

11. General and Administrative Expenses

This account consists of:

	Note	2022	2021	2020
Salaries, wages and employee benefits	12	₱10,581,896	₱10,865,660	₱11,826,932
Entertainment, amusement and recreation		1,974,061	1,680,483	717,433
Management and professional fees		1,613,306	1,667,842	1,124,841
Rent	13	1,538,880	1,419,883	1,342,202
Transportation and travel		965,034	1,230,552	399,387
Communication, light and water		587,591	750,402	330,010
Fuel and oil		420,347	329,895	221,188
Depreciation	6	312,857	156,429	—
Dues and subscriptions		250,000	1,218,239	246,521
Supplies		112,757	261,843	61,386
Taxes and licenses		19,398	276,822	277,610
Others		306,807	763,604	941,031
		₱18,682,934	₱20,621,654	₱17,488,541

Others represent marketing, insurance, donations, service charges, security services and other miscellaneous expenses.

12. Retirement Liability

The Company has an unfunded, defined benefit retirement plan covering all of its qualified employees.

The components of retirement liability recognized in the statements of financial position are as follow:

	2022	2021
Balance at beginning of year	₱11,940,204	₱10,364,087
Retirement benefits expense:		
Current service cost	828,945	1,055,021
Interest cost	854,276	521,096
Balance at end of year	₱13,623,425	₱11,940,204

Retirement benefits expense presented under "Salaries, wages and employee benefits" amounted to ₱1.7 million in 2022, ₱1.6 million in 2021 and ₱1.1 million in 2020 (see Note 11).

The actuarial assumptions used to determine the retirement benefits are as follows:

	2022	2021
Discount rates	7.15%	5.03%
Expected rates of salary increase	10.00%	10.00%

The Company did not obtain an updated actuarial valuation for 2022 and 2021 because management has assessed that the retirement liability and expense recognized in the financial statements do not differ materially from the amounts that would have been determined from an updated actuarial valuation.

Sensitivity analysis based on reasonable possible changes of assumptions are as follows:

	Basis Points	2022	2021
Discount rate	+100	(P2,392,046)	(P2,227,210)
	-100	2,931,444	2,766,933
Salary rate	+100	2,819,545	2,602,194
	-100	(2,355,440)	(2,154,197)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The weighted average duration of the retirement benefit plan is 20.8 years in 2022.

The maturity analysis based on a 10-year projection of expected future benefit payments amounted to P0.3 million for the financial year 2022.

13. Leases

The Company entered has a lease agreement with a third party for its office space. The lease agreement is valid for one (1) year and may be extended for another period subject to terms and conditions as may be agreed upon by both parties. Deposits on lease contract, which is refundable at the end of the lease term, amounted to P0.2 million as at December 31, 2022 and 2021 (see Note 5).

Rent charged to "General and administrative expenses" account in the separate statements of comprehensive income amounted to P1.5 million in 2022, P1.4 million in 2021 and P1.3 million in 2020 (see Note 11).

14. Income Taxes

The Company has no provision for current income tax in 2022, 2021 and 2020 due to its taxable loss position.

The Company's deferred tax liabilities are as follows:

	2022	2021
Cumulative fair value gain on investment properties	P398,954,654	P378,110,904
Actuarial gain on retirement liability	1,769,371	1,769,371
	P400,724,025	P379,880,275

The Company did not recognize deferred tax assets amounting to ₱87.7 million and ₱90.7 million as at December 31, 2022 and 2021, respectively, as management assessed that it is not probable that sufficient future taxable income will be available against which the benefit of the deferred tax assets can be utilized.

The components of unrecognized deferred tax assets are as follows:

	2022	2021
NOLCO	₱81,074,330	₱84,492,439
Provision for probable loss	5,000,000	5,000,000
Retirement liability	1,636,485	1,215,680
	₱87,710,815	₱90,708,119

As at December 31, 2022, the Company has NOLCO that can be carried forward and claimed as deduction against future taxable income as follows:

Year Incurred	Amount	Expired	Balance	Expiry
2022	₱27,424,877	₱—	₱27,424,877	2025
2021	33,053,284	—	33,053,284	2026
2020	263,819,158	—	263,819,158	2025
2019	41,097,313	41,097,313	—	2022
	₱365,394,632	₱41,097,313	₱324,297,319	

Under the Republic Act No. 11494, also known as “Bayanihan to Recover As One Act” and Revenue Regulations No. 25-2020, the Company is allowed to carry-over its net operating losses incurred for taxable years 2021 and 2020 for the next five (5) years immediately following the year of such loss. Consequently, NOLCO amounting to ₱33.0 million in 2021 and ₱263.8 million in 2020 shall be carried over until 2026 and 2025, respectively.

The reconciliation of income tax computed using the statutory tax rates to the provision for income tax as shown in the separate statements of comprehensive income are as follows:

	2022	2021	2020
Income tax computed at statutory tax rate	₱13,073,258	₱40,181,402	₱378,719,545
Change in unrecognized deferred tax assets	(2,997,304)	(17,441,696)	(4,924,459)
Adjustments for:			
Expired NOLCO	10,274,328	11,861,039	13,528,998
Nondeductible expense	493,531	2,240,948	215,250
Interest income subject to final tax	(63)	(58)	(49)
Effect of change in tax rate	—	(46,623,890)	—
	₱20,843,750	(₱9,782,255)	₱387,539,285

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's President. Under the CREATE, the regular corporate income tax (RCIT) of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020. The new income tax rates of 25% RCIT and 1% MCIT were used in preparing the financial statements as at and for the years ended December 31, 2022 and 2021.

PEZA Registration

The Company is an ecozone developer/operator of NCTO and AWT pursuant to Republic Act (RA) No. 7916 as amended by RA No. 8748. As a PEZA-registered developer/operator, the Company is subject to 5% tax on gross income of the PEZA-registered activities in lieu of all national and local taxes. As at December 31, 2022 and 2021, the Company has no PEZA-registered activities.

15. Financial Instruments

Financial Risk Management Objectives and Policies

The Company's financial instruments consists of cash in banks, deposits, due from related parties, loans payable, accrued interest and penalties, due to a related party and subscription payable.

The BOD is responsible for the Company's risk management. The Company has risk management policies to identify and manage Company exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to liquidity risk and credit risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks which are summarized below.

Credit Risk. Credit risk refers to the potential loss arising from any failure by counter parties to fulfill their obligations, as and when they fall due. Credit risk from balances with banks and related parties are managed by the Company's management in accordance with the policies set by the BOD. The Company's maximum exposure of credit risk is equal to the carrying amounts of the financial assets.

The table below shows the maximum exposure to credit risk for the Company's financial assets, without taking account of any collateral and other credit enhancements:

	2022	2021
Cash in banks	₱124,206	₱216,388
Deposits	201,600	201,600
Due from related parties	69,403,880	68,806,920
Total credit risk exposure	₱69,729,686	₱69,224,908

The tables below show the credit quality and aging analysis of the Company's financial assets as at December 31, 2022 and 2021:

	2022							Total
	Neither Past Due nor Impaired			Past Due but not Impaired				
	High Grade	Standard	Substandard	1 - 30 Days	31 - 60 Days	More than 60 Days		
		Grade	Grade		Days	Days		
Cash in banks	P124,206	P—	P—	P—	P—	P—	P—	P124,206
Deposits*	201,600	—	—	—	—	—	—	201,600
Due from related parties	—	69,403,880	—	—	—	—	—	69,403,880
	P325,806	P69,403,880	P—	P—	P—	P—	P—	P69,729,686

*Presented under "Other current assets" account.

	2021							Total
	Neither Past Due nor Impaired			Past Due but not Impaired				
	High Grade	Standard	Substandard	1 - 30 Days	31 - 60	More than		
		Grade	Grade		Days	60 Days	Impaired	
Cash in banks	₱216,388	₱—	₱—	₱—	₱—	₱—	₱—	₱216,388
Deposits*	201,600	—	—	—	—	—	—	201,600
Due from related parties	—	68,806,920	—	—	—	—	—	68,806,920
	₱417,988	₱68,806,920	₱—	₱—	₱—	₱—	₱—	₱69,224,908

*Presented under "Other current assets" account.

The credit quality of the receivables is managed by the Company using internal credit quality ratings. High grade accounts consist of financial assets from counterparties with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Financial assets that are still collectible but require persistent effort from the Company to collect are considered substandard grade accounts. Past due but not impaired are items with history of frequent default, nevertheless, the amounts are still collectible. Financial assets that are most likely uncollectible are considered as impaired.

At the reporting date, there is no significant concentration of credit risk.

Liquidity Risk. The Company's objective is to maintain a balance between continuity of funding and flexibility through availment of loans and advances from related parties. The maturity profile of the Group's financial liabilities as at December 31, 2022 and 2021 based on contractual payments follow:

	2022				
	Contractual Undiscounted Payments				
	Carrying Amounts	On Demand	< 1 Year	1 to 5 Years	> 5 Years
Loans payable	P25,605,794	P25,000,000	P605,794	P—	P—
Accrued interest and penalties	423,632,778	423,632,778	—	—	—
Subscription payable	255,250,000	255,250,000	—	—	—
Due to a related party	282,284,641	282,284,641	—	—	—
	P986,773,213	P986,167,419	P605,794	P—	P—

	Carrying Amounts	2021 Contractual Undiscounted Payments			
		On Demand	< 1 Year	1 to 5 Years	> 5 Years
Loans payable	₱26,111,638	₱25,000,000	₱695,767	₱415,871	₱—
Accrued interest and penalties	411,462,396	411,462,396	—	—	—
Subscription payable	255,250,000	255,250,000	—	—	—
Due to a related party	265,267,269	265,267,269	—	—	—
	₱958,091,303	₱956,979,665	₱695,767	₱415,871	₱—

Capital Management

The primary objective of the Company's capital management is to ensure that the Company maintains strong credit ratings and healthy capital ratios in order to support its operations, pay existing obligations and maximize stockholder value. The Company considers the paid-in capital presented in the separate statements of financial position as its core capital.

The Company manages its capital structure and makes adjustments to it based on changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from related parties, return capital to stockholders or issue new shares. No changes were made in the objectives, policies and processes in 2022 and 2021. The Company is not subject to externally imposed capital requirements.

As discussed in Note 1, the Company is continuously undertaking specific actions to improve operations, including restructuring and settlement of outstanding loans, and communication with prospective investors which are part of the Company's policies and processes in managing its capital.

The Company's debt-to-equity ratio as at December 31 are shown below:

	2022	2021
Total liabilities	₱1,455,530,082	₱1,403,217,358
Total equity	1,375,366,572	1,343,917,291
	1.06:1	1.04:1

Fair Value

The table below presents the financial assets and liabilities of the Company as at December 31 whose carrying amounts approximate their fair values due to short-term and demandable nature of these financial instruments:

	2022		2021	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets:				
Cash in banks	₱124,206	₱124,206	₱216,388	₱216,388
Deposits*	201,600	201,600	201,600	201,600
Due from related parties	69,403,880	69,403,880	68,806,920	68,806,920
Financial assets at FVOCI	255,250,000	255,250,000	255,250,000	255,250,000
	₱324,979,686	₱324,979,686	₱324,474,908	₱324,474,908
Financial liabilities:				
Loans payable	₱25,605,794	₱25,605,794	₱26,111,638	₱26,111,638
Accrued interest and penalties	423,632,778	423,632,778	411,462,396	411,462,396
Subscription payable	255,250,000	255,250,000	255,250,000	255,250,000
Due to a related party	282,284,641	282,284,641	265,267,269	265,267,269
	₱986,773,213	₱986,773,213	₱958,091,303	₱958,091,303

*Presented under "Other current assets" account.



**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
MRC Allied, Inc.
5/F Eurovilla 4 Bldg.
853 A. Arnaiz Avenue
Makati City

We have audited the accompanying separate financial statements of MRC Allied, Inc. (the Company), a subsidiary of Menlo Capital Corporation, as at December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020, and have issued our report thereon dated April 12, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has six hundred nineteen (619) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA CRUZ
Partner

CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 97380-SEC Group A
Issued April 8, 2021
Valid for Financial Periods 2020 to 2024
BIR Accreditation No. 08-005144-012-2023
Valid until January 24, 2026
PTR No. 9564565
Issued January 3, 2023, Makati City

April 12, 2023
Makati City, Metro Manila