

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)

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3	0
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Month **Day**
(Fiscal Year)

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(Form Type)

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Month **Day**
(Annual Meeting)

--

(Secondary License Type, If Applicable)

SEC

Dept. Requiring this Doc.

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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



Helen Quiamno <helen.quiamno@mrcallied.com>

CGFD_MRC Allied Inc._SECFORM17-Q_August082022

3 messages

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

Tue, Aug 9, 2022 at 9:40 AM

Gentlemen:

On behalf of the company, I hereby attach the submission of the final and true copy of the SEC Form 17-Q of MRC Allied Inc. for the Month ended June 30, 2022.

Thank you.

--

Helen Q. Chico
Compliance Officer
MRC ALLIED INC.
4th Floor Spirit of Communication Center
106 C. Palanca St. Legaspi Village., Makati City
Direct Line: 8846-7910, 8726 8888 loc. 4982 Telefax 8519 8945
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E-mail: helen.quiamno@mrcallied.com



MRC-SEC17Q-JUNE2022_Final.pdf
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ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
To: helen.quiamno@mrcallied.com

Tue, Aug 9, 2022 at 9:40 AM

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD. (Subject to Verification and Review of the Quality of the Attached Document) Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

NOTICE

Please be informed that 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

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the ELECTRONIC FILING AND SUBMISSION TOOL (eFAST) 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)

FOR MC28, please go to SEC website:

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

For your information and guidance.

Thank you and keep safe.

Helen Quiamno <helen.quiamno@mrcallied.com>
To: Cherrie Lacsí <cherrie.lacsi@mrcallied.com>

Fri, Sep 9, 2022 at 11:14 AM

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2022**
2. SEC identification number **184228** 3. BIR Tax Identification No **000-275-291-000**
-
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. Industry Classification Code: (SEC Use Only)
7. **4th Floor Spirit of Communication Center, 106 C. Palanca St, Legaspi Vill., Makati City** **1223**
Address of issuer's principal office Postal Code
8. **+632 8846-7910**
Issuer's telephone number, including area code
9. **MRC ALLIED INDUSTRIES, INC., 5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Makati City**
Former name, former address and former fiscal year, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt outstanding
.....	
Common Shares	8,512,658,975
.....	

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes [X] No []

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

See attached.

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

See attached.

PART II--OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

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

MRC ALLIED, INC.

By:


JIMMY T. YAKASIN
Chairman of the Board
August 1, 2022


AUGUSTO M. COSIO JR.
President
August 1, 2022


BERNARD B. RABANZO
Chief Admin. and Finance Officer
August 1, 2022


ATTY. JOHNSTON R. BRUSOLA
Corporate Secretary
August 1, 2022

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE QUARTER ENDED JUNE 30, 2022
(With Comparative Figures for December 31, 2021)

	<i>June 30, 2022</i>	<i>2021</i>
	<i>Unaudited</i>	
ASSETS		
Current Assets		
Cash	191,004	708,714
Trade and other receivables-net	363,016	363,016
Due from related parties	19,306,895	19,001,807
Other current assets-net	7,645,614	7,515,232
Total Current Assets	27,506,529	27,588,769
Noncurrent Assets		
Real estate projects	2,075,249,000	2,075,249,000
Property and equipment-net	27,104,783	27,256,557
Exploration and evaluation assets	231,749,591	231,749,591
Other noncurrent assets	255,250,000	255,250,000
Total Noncurrent Assets	2,589,353,374	2,589,505,148
TOTAL ASSETS	2,616,859,903	2,617,093,917
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	37,345,135	37,178,173
Loans payable	25,368,768	25,695,767
Accrued interest and penalties	412,968,477	411,462,396
Due to related parties	281,126,089	273,142,087
Subscription payable	255,250,000	255,250,000
Income tax payable	-	666
Total Current Liabilities	1,012,058,469	1,002,729,089
Noncurrent Liability		
Noncurrent portion of loans payable	415,871	415,871
Retirement Liability	11,940,204	11,940,204
Security deposit	4,437,500	4,437,500
Deferred tax liability	379,880,275	379,880,275
Total Noncurrent Liabilities	396,673,850	396,673,850
Total Liabilities	1,408,732,319	1,399,402,939
Equity (Capital Deficiency)		
Capital Stock-P0.10 par value		
Authorized shares – 15,000,000,000		
Issued shares – 4,125,000,000	851,265,898	851,265,898
Retained Earnings	356,861,686	366,425,080
Total Equity	1,208,127,584	1,217,690,978
TOTAL LIABILITIES AND EQUITY	2,616,859,903	2,617,093,917

See Accompanying Notes to Consolidated Financial Statements

MRC ALLIED, INC. (formerly MRC ALLIED INDUSTRIES, INC.) AND SUBSIDIARIES

Notes to Financial Statements

As of June 30, 2022

1.	Cash in Bank	<u>191,004</u>
2.	Investment Properties	
	Naga City, Cebu	1,224,196,000
	San Isidro, Leyte	<u>851,053,000</u>
		<u>2,075,249,000</u>
3.	Other Current Assets	
	Prepaid CWT	12,054
	Deposits	201,600
	Input Tax	7,289,484
	Advances to Suppliers	142,477
	Allowance for Unrecoverable taxes	<u>—</u>
		<u>7,645,615</u>
4.	Due from Related Parties	
	New Cebu Township One	<u>19,306,895</u>
5.	Property and Equipment	
	Land	1,045,000
	Transportation Equipment	3,194,422
	Furniture, Fixtures and Equipment	428,816
	Land and Lease Improvements	1,236,146
	Solar PV Systems	<u>21,200,399</u>
		<u>27,104,783</u>
6.	Exploration and Evaluation Projects	
	Surigao Mines Inc.	211,749,591
	Tampakan Mines, Inc.	<u>20,000,000</u>
		<u>231,749,591</u>
7.	Bank Loans	
	First Metro Investment Corporation	25,000,000
	First United Finance Leasing Corp.	<u>368,768</u>
		<u>25,368,768</u>
8.	Accounts Payable and Other Liabilities	
	Accounts Payable	10,758,817
	Accrued Payables:	
	Interest and penalties	412,968,477
	Management Fees	781,704
	Rent	386,794
	Project costs	22,141,575
	Statutory Liabilities	1,052,156
	Others	<u>2,224,091</u>
		<u>450,313,614</u>
9.	Due to Related Parties	<u>281,126,089</u>

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2022
(With Comparative Figures for June 30, 2021)

	JANUARY TO JUNE 30, 2022 UNAUDITED	JANUARY TO JUNE 30, 2021 UNAUDITED
REVENUES	1,364,946	988,375
EXPENSES		
Mining Expenses	-	-
Interest	1,749,900	2,131,572
General and administrative	9,178,440	10,817,987
Other charges-net	-	-
LOSS BEFORE INCOME TAX	(9,563,394)	(11,961,184)
INCOME TAX BENEFIT	-	-
NET LOSS	(9,563,394)	(11,961,184)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE LOSS	(9,563,394)	(11,961,184)
BASIC/DILLUTED LOSS PER SHARE	(0.001)	(0.001)

See accompanying Notes to Consolidated Statements.

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED JUNE 30, 2022
(With Comparative Figures for June 30, 2021)

	APRIL TO JUNE 30, 2022 UNAUDITED	APRIL TO JUNE 30, 2021 UNAUDITED
REVENUES	1,244,411	652,500
EXPENSES		
Mining Expenses	-	-
Interest	937,450	1,256,622
General and administrative	4,178,125	6,435,712
Other charges-net	-	-
LOSS BEFORE INCOME TAX	(3,871,164)	(7,039,834)
INCOME TAX BENEFIT	-	-
NET LOSS	(3,871,164)	(7,039,834)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE LOSS	(3,871,164)	(7,039,834)
BASIC/DILLUTED LOSS PER SHARE	(0.001)	(0.001)

See accompanying Notes to Consolidated Statements.

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2022
(With Comparative Figures for June 30, 2021)

	Capital Stock	Additional Paid-in Capital	Deficit	Total
Balances at December 31, 2021	851,265,898	-	366,425,080	1,217,690,978
Total Comprehensive Loss for the period			(9,563,394)	(9,563,394)
Balances at January to June 30, 2022	851,265,898	-	356,861,686	1,208,127,584
Balances at December 31, 2020	851,265,898	-	(705,659,501)	145,606,397
Total Comprehensive Loss for the period			(11,961,184)	(11,961,184)
Balances at January to June 30, 2021	851,265,898	-	(717,620,684)	133,645,213

See accompanying Notes to Consolidated Statements.

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED JUNE 30, 2022
(With Comparative Figures for June 30, 2021)

	Capital Stock	Additional Paid-in Capital	Deficit	Total
Balances at March 31, 2022	851,265,898	-	360,732,850	1,211,998,748
Total Comprehensive Loss for the quarter			(3,871,164)	(3,871,164)
Balances at June 30, 2022	851,265,898	-	(356,861,686)	1,208,127,584
Balances at March 31, 2021	851,265,898	-	(710,580,851)	140,685,047
Total Comprehensive Loss for the quarter			(7,039,834)	(7,039,834)
Balances at June 30, 2021	851,265,898	-	(717,620,685)	133,645,213

See accompanying Notes to Consolidated Statements.

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2022
(With Comparative Figures for June 30, 2021)

	JANUARY TO JUNE 30, 2022 UNAUDITED	JANUARY TO JUNE 30, 2021 UNAUDITED
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(9,563,394)	(11,961,184)
Adjustment for:		
Depreciation and amortization	156,429	1,071,197
Provision for probable losses and impairment		
Operating loss before working capital changes	(9,406,965)	(10,889,987)
Decrease (increase) in:		
Trade and accounts receivable	-	-
Other current assets	(130,382)	(531,183)
Increase (decrease) in:		
Trade and other payables	(160,037)	2,006,579
Statutory and other payables	1,505,415	1,686,577
Net cash used in operating activities	(8,191,969)	(7,728,021)
CASH FLOW FROM A FINANCING ACTIVITIES		
Increase in amount due to related parties	7,678,914	9,349,014
Proceeds from purchase of equipment	(4,655)	(1,564,286)
Net Cash from Financing Activities	7,674,259	7,784,728
NET INCREASE IN CASH	(517,710)	(56,707)
CASH AT BEGINNING OF FIRST QUARTER	708,714	1,527,156
CASH AT END OF YEAR	191,004	1,583,863
NON CASH TRANSACTIONS		
Advances by related parties for:		
Exploration and evaluation costs capitalized		
Property and equipment acquisitions		
Increase in other noncurrent assets		
Settlement of loans		
Debt-to-equity conversion		
	-	-

See accompanying Notes to Consolidated Statements.

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED JUNE 30, 2022
(With Comparative Figures for June 30, 2021)

	APRIL TO JUNE 30, 2022 UNAUDITED	APRIL TO JUNE 30, 2021 UNAUDITED
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(3,871,164)	(7,039,834)
Adjustment for:		
Depreciation and amortization	78,215	526,302
Provision for probable losses and impairment		
Operating loss before working capital changes	(3,792,949)	(6,513,532)
Decrease (increase) in:		
Trade and accounts receivable		-
Other current assets	(61,999)	(471,285)
Increase (decrease) in:		
Trade and other payables	98,028	1,194,122
Statutory and other payables	692,965	1,503,496
Net cash used in operating activities	(3,062,955)	(4,287,199)
CASH FLOW FROM A FINANCING ACTIVITIES		
Increase in amount due to related parties	2,923,571	5,960,355
Proceeds from purchase of transportation equipment	-	(1,564,286)
Net cash from financing activities	2,923,571	4,396,069
NET INCREASE IN CASH	(139,384)	108,870
CASH AT BEGINNING OF FIRST QUARTER	330,388	1,474,993
CASH AT END OF YEAR	191,004	1,583,863
NON CASH TRANSACTIONS		
Advances by related parties for:		
Exploration and evaluation costs capitalized		
Property and equipment acquisitions		
Increase in other noncurrent assets		
Settlement of loans		
Debt-to-equity conversion		
	-	-

See accompanying Notes to Consolidated Statements.

PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements Required under SRC RULE 68.1

Basic and Diluted Earnings per Share (See Attached Income Statement)

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC). 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 and presentation 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 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 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 5 and 18 to the consolidated financial statements.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after 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 applies the amendment.
- 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 components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes 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 amendments apply to financial liabilities that are modified or exchanged on or after the

beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

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

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – 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.
- Amendments to PAS 1 and PFRS Practice Statement 2, *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 decision 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 information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting information. In addition, PFRS Practice Statement 2, *Making Materiality Judgments*, 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, *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 the 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, *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. Earlier application is permitted.

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, 2021 and quarter ending June 30, 2022.

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 financial assets at fair value through other comprehensive income (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, 2021 and 2020.

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, 2021 and 2020, the Group’s cash in banks, trade receivables 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 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, 2021 and 2020, 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, 2021 and 2020, the Group's trade and other payables (excluding statutory payable), loans payable, accrued interest and penalties, subscription 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 expected credit losses. 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 the consolidated statements of comprehensive income.

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.

Other Current Assets

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

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 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.

Advances to Suppliers. Advances to suppliers are recognized whenever the Company pays in advance for its purchase of goods or services. These are subsequently charges 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.

CWT. CWT represent taxes withheld by the Group's customers as required under Philippine taxation laws and regulations. CWT is recognized as asset and will be used to offset against the Group's income tax liability.

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 acquisition 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. Prior to 2021, the investment properties were subsequently measured at cost less any impairment loss. This change in accounting policy was applied retrospectively in the consolidated financial statements. Thus, the balances as at and for the year ended December 31, 2021 were restated to reflect the fair values of the properties as at December 31, 2020.

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 consolidated financial 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.

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 are 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 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
Leasehold improvements	3 years or term of the lease whichever is shorter
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 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 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.

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.

Other Noncurrent Assets

Other noncurrent assets owned by the Group are assets that are not expected to be realized within the normal operating cycle. These are accounted for at cost less impairment in value.

Predevelopment costs. Predevelopment costs are stated at the amount of cash given up by the Group less impairment in value. The Group capitalizes predevelopment costs if it is probable that such cost will be realized through the ultimate construction of a solar power plant. These also include other costs directly related to the development of the solar power project.

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 restatement 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 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.

Operating Expenses. Operating expenses constitute cost of administering the business. These are expensed as incurred.

Interest Expense and Penalties. Interest expense 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.

Retirement Benefits. The Group 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 Group 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 profit or loss. Net interest 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 terms 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.

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.

MRC ALLIED, INC.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results or Plan of Operation

2a) Plan of Operation

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 P914.8 million, respectively.

Moreover, the Group's land banks located in San Isidro, Leyte with 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 (CARP). As at December 31, 2021, 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.

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

The Group's real estate properties in Naga City, 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 of accounting for these investment properties resulting to a net income of P167.8 million in 2021 and P846.6 million in 2020, and retained earnings of P366.4 million and P198.6 million as at December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, the Group has the following business ventures in renewable energy:

a. 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).

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 P2.5 million in 2021, P1.6 million in 2020 and P0.3 million in 2019.

To further improve the Group's investment portfolio, the Group has entered into the following agreements:

a. Venture into Technology Business and Digital Solutions

On December 9, 2020, the Parent Company entered into a Memorandum of Agreement with 5G SECURITY INC. (5GS) for the acquisition of ownership and control of Kerberus Corporation (Kerberus), a company engaged in the business of providing cybersecurity, electronic security and value-added services. Under the agreement, 5GS undertakes, among others, to assist Kerberus in increasing its authorized capital stock to P300.0 million. After securing the SEC approval on the said increase in authorized capital stock, the Parent Company will subscribe up to 250,000,000 shares at P1.00 par value a share, or equivalent to P250.0 million, of Kerberus. The details of the subscription, which shall be covered by a separate subscription agreement, is still subject to the final concurrence of the parties but should not result to less than 75% ownership stake in Kerberus. As at December 31, 2021, 5GS is still in the process of complying with the conditions in the agreement.

b. Sale of Mining Assets

On February 17, 2022, the Parent Company's BOD approved to sell its exploration and evaluation assets with a carrying amount of P231.7 million. On March 10, 2022, the Parent Company entered into a Memorandum of Agreement with a third party to sell these exploration and evaluation assets.

As the Group continues to explore and develop potential business ventures, and diversify its investment portfolio, the Group re-affirmed its plan to issue 1,428,571,428 shares, at P0.10 par value a share or equivalent to P142.9 million, at the issue price of P0.70 a share or equivalent to P1,000.0 million, through a private placement in 2021. The proceeds from this private placement will be used to finance the Group's current pipeline of investment acquisitions, including the

planned acquisition of not less than 75% ownership in Kerberus. 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 stockholder has aggregated P272.5 million and P248.3 million as at December 31, 2021 and 2020, 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.

2b) Financial Condition and Results of Operation as of December 31, 2021

2021 – The company total assets are P2.62 billion and P2.40 billion as at December 31, 2021 and December 31, 2020, respectively. The investment properties in Naga, Cebu and San Isidro, Leyte are valued at P1.22 billion and P0.85 million, respectively. These properties were previously recognized as “Real Estate Projects”, however, in 2020, following the SEC’s approval on the change of the Parent Company’s primary purpose from property development and sales of real estate to a holding company, these properties were classified as ‘Investment properties’. In 2021, the Group adopted the fair value model of accounting for investment properties. This change in accounting policy was applied retrospectively upon the reclassification of the real estate properties to investment properties in 2020. As a result, the consolidated financial statements were restated resulting a consolidated comprehensive income. There were no borrowing costs capitalized as at December 31, 2021 and 2020. The Company, in its normal course of business, has transactions with its related parties. Noninterest bearing cash advances to MCC of ₱19.0 million in December 31, 2021 and P13.2 million in December 31, 2020. In 2021, no allowance for impairment losses was provided compared in 2020 amounting to P0.25 million. The Company obtained cash advances from its stockholder for working capital requirements which amounted to P273.1 million and P248.3 million as at December 31, 2021 and 2020, respectively. These advances are due and payable on demand. Other current assets amounting to P7.5 million and P11.1 million as at December 31, 2021 and 2020, respectively. Property and equipment amounted to P27.26 million and P27.79 million as at December 31, 2021 and 2020, respectively. Fully depreciated property and equipment are still being used in operations. The carrying amount of exploration and evaluation assets amounted to P231.75 as at December 31, 2021 and 2020, respectively. Other noncurrent assets of P255.25 million as at December 31, 2021 and 2020 is attributable to 15% investment in the shares of stock of SEPALCO

Bank loans of P25.0 million as at December 31, 2021 and 2020, is due and demandable, it represents unsecured loans payable to First Metro Investment Corporation, with 13% annual interest. Trade and Other Payable consists of Accrued Interest and penalties incurred on the outstanding loans amounting to P448.64 million and P412.31 million for 2021 and 2020, respectively. Due to related parties of P273.14 for 2021 and P248.32 million for 2020 are transactions made from a stockholder for working capital advances. Retirement liabilities amounted to P11.94 million for 2021 and P10.36 for 2020, respectively. These are unfunded, defined benefit retirement plan covering all its qualified employees. As a result, the Company’s income for 2021 is at positive P158.05 million while for 2020, it’s a positive P1.234 billion.

In terms of profitability, MRC’s net income stood at P167.83 million in 2021 compared to P846.65 million net loss in 2020. The decrease in net income of P678.82 million are primarily attributable to the fair value changes of investment properties, provision for probable loss, provision for deferred tax and restatement of properties in 2020.

2c) Comparable Discussion of Interim Period as of 30 June 2022

The Group's aggregate resource stood at P2.62 billion, while total liabilities and equity amounted to P1.41 billion and P1.21 billion respectively, as of 30 June 2022. Comparing June 30, 2022 against December 2021 level, total resources net decreased by P0.234 million attributed principally on net of accumulated depreciation, due from related parties and other current assets. Total liabilities went up by P9.33 million in 30 June 2022 due to the following: (i) accrual of interest and penalties of the existing bank loans and (ii) transactions recorded in the related parties and advances to stockholders to fund the day to day operations of the Company. Total stockholders' equity was recorded at P1.21 billion in 30 June 2022 as against P1.22 billion in 31 December 2021 due mainly to the general expenses for the second quarter of 2022.

On a quarter to quarter basis, total assets of the Group for the second quarter of 2022 amounted to P2.62 billion compared to the total assets as of end of second quarter of 2021 were increased by P1.51 billion. The increase is due to the fair value changes of investment properties.

Total liabilities of the Group as of second quarter of 2022 increased by P0.437 million net of P1.41 billion this quarter compared to P0.971 billion against the same quarter of 2021. This increase was due to the trade payables, deferred tax liability, advances made to stockholders for working capital requirements of its subsidiaries, the accrual of interest on the bank loan and other payables for this quarter of 2022.

MRC ended the second quarter of 2022, with a total net loss of P3.37 million compared to P7.04 million in the second quarter of 2021. The increase was largely due to the related party transaction with Menlo Capital Corporation to support the general and administrative expenses of the company and the accrual of interest on the bank loans.

Key Performance Indicators

Ratio	Formula	2022	2021
Current/Liquidity Ratio			
	Current assets	27,506,529	27,588,769
	Divided by: Current liabilities	1,012,058,469	1,002,729,089
	Current/Liquidity ratio	0.03:1.00	0.03:1.00
Solvency Ratio			
	Net income (loss) before depreciation and amortization	(9,719,823)	155,866,227
	Divided by: Total liabilities	1,408,732,319	1,399,402,939
	Solvency ratio	(0.007):1.00	0.111:1.00
Debt-to-Equity Ratio			
	Total liabilities	1,408,732,319	1,399,402,939
	Divided by: Total equity	1,208,127,584	1,217,690,978
	Debt-to-Equity ratio	1.17:1.00	1.15:1.00
Asset-to-Equity Ratio			
	Total assets	2,616,859,903	2,617,093,917
	Divided by: Total equity	1,208,127,584	1,217,690,978
	Asset-to-Equity ratio	2.17:1.00	2.15:1.00
Interest Rate Coverage Ratio			
	Income (Loss) before interest and taxes	(11,313,294)	142,366,993

	Divided by: Interest expense	1,749,900	15,687,712
	Interest Rate Coverage ratio	(6.47):1.00	9.08:1.00
Return on Assets Ratio			
	Net income (loss)	(9,563,394)	167,826,249
	Divided by: Total assets	2,616,859,903	2,617,093,917
	Return on Assets ratio	(0.004):1.00	0.064:1.00
Return on Equity Ratio			
	Net income (loss)	(9,563,394)	167,826,249
	Divided by: Total equity	1,208,127,584	1,217,690,978
	Return on Equity ratio	(0.008):1.00	0.14:1.00
Net Profit Margin			
	Net income (loss)	(9,563,394)	167,826,249
	Divided by: Revenues	1,364,946	2,474,252
	Return on Equity ratio	(7.01):1.00	67.83:1.00

Cash amounted to P0.708 million and P1.527 million as at December 31, 2021 and 2020, respectively. These are high grade receivables.

Due from related parties amounted to P19.00 million and P13.24 million as at December 31, 2021 and 2020, respectively. These are standard grade receivables having risks of default but are still collectible.

MRC Allied, Inc.
Aging of Accounts Receivable
As of June 30, 2022

							Past Due Accts. & Items in Litigation
	Total	1-3 mos	4-6 mos	7 mos to 1 year	1-2 years	3-5 years	
1) Type of Accounts Receivable:							
a) Trade Receivables	363,016				- 363,016	0.00	
Less: Allowance for Doubtful Accounts	(0.00)				0.00	(0.00)	
Net Trade Receivables	363,016				363,016	0.00	
b) Non-Trade Receivable:							
1. Advances-officers	0.00					0.00	
	0.00					0.00	
Officers & Employees	0.00					0.00	
Net Receivable	363,016	0.00	0.00	0.00	363,016	0.00	

-Nothing follows-