Metro Pacific Investments Corporation

Parent Company Financial Statements
December 31, 2022 and 2021

and

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Metro Pacific Investments Corporation

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Metro Pacific Investments Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company 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 our audit of the parent company 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in a separate schedule is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Metro Pacific Investments Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Johnny F. Ang.

SYCIP GORRES VELAYO & CO.

Johnny F. Ang
Partner
CPA Certificate No. 0108257
Tax Identification No. 221-717-423
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 108257-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-101-2021, October 1, 2021, valid until September 30, 2024
PTR No. 9369770, January 3, 2023, Makati City

April 4, 2023

METRO PACIFIC INVESTMENTS CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents and short-term deposits (Notes 5, 20 and 21)	**₱7,430**	₱21,301
Restricted cash (Notes 5, 20 and 21)	**491**	1
Receivables (Notes 6, 20 and 21)	**632**	690
Due from related parties (Notes 11, 20 and 21)	**79**	25
Other current assets (Note 14)	**634**	413
Total Current Assets	**9,266**	22,430
Noncurrent Assets		
Investments and advances (Note 7)	**218,142**	212,477
Other noncurrent assets (Notes 7, 8, 20 and 21)	**4,535**	1,175
Total Noncurrent Assets	**222,677**	213,652
	₱231,943	₱236,082
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other current liabilities (Notes 9, 20 and 21)	**₱3,377**	₱2,167
Due to related parties (Notes 11, 20 and 21)	**17**	11
Current portion of:		
Long-term debt (Notes 10, 20 and 21)	**5,021**	3,631
Provisions (Note 7)	**264**	275
Total Current Liabilities	**8,679**	6,084
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 10, 20 and 21)	**76,483**	79,876
Provisions (Note 7)	**1,930**	2,090
Deferred tax liabilities (Note 16)	**7,043**	6,852
Other noncurrent liabilities (Notes 14, 20 and 21)	**70**	827
Total Noncurrent Liabilities	**85,526**	89,645
Total Liabilities	**94,205**	95,729
Equity (Note 12)		
Capital stock	**31,661**	31,661
Additional paid-in capital	**68,638**	68,638
Treasury shares	**(10,703)**	(5,705)
Equity reserves	**109**	91
Other comprehensive income reserve	**151**	6
Retained earnings	**47,882**	45,662
Total Equity	**137,738**	140,353
	₱231,943	₱236,082

See accompanying Notes to Parent Company Financial Statements.

METRO PACIFIC INVESTMENTS CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Millions Except Earnings Per Share Figures)

	Years Ended December 31	
	2022	2021
REVENUES		
Dividend income (Notes 7 and 11)	**₱13,740**	₱20,428
Interest income (Note 15)	**286**	166
	14,026	20,594
OPERATING EXPENSES (Note 13)	**(1,531)**	(1,503)
INTEREST EXPENSE (Notes 10, 11 and 15)	**(4,470)**	(4,733)
OTHER EXPENSES - Net (Note 15)	**(2,328)**	(3,077)
INCOME BEFORE INCOME TAX	**5,697**	11,281
PROVISION FOR TAX (Note 16)		
Final tax on interest income and current income tax	**53**	33
Deferred income tax	**146**	–
	199	33
NET INCOME	**5,498**	11,248
OTHER COMPREHENSIVE INCOME (LOSS)		
To be reclassified to profit or loss in subsequent periods:		
Change in fair value of cash flow hedge (Note 10)	**165**	–
Income tax effect (Note 16)	**(41)**	–
Not to be reclassified to profit or loss in subsequent periods:		
Actuarial loss on defined benefit plans (Note 14)	**16**	(4)
Change in fair value of equity securities at fair value through other comprehensive income (“FVOCI”)	**9**	3
Income tax effect (Notes 14 and 16)	**(4)**	2
	145	1
TOTAL COMPREHENSIVE INCOME	**₱5,643**	₱11,249
EARNINGS PER SHARE (Note 18)		
Basic Earnings Per Common Share	**₱0.187**	₱0.369
Diluted Earnings Per Common Share	**₱0.187**	₱0.369

See accompanying Notes to Parent Company Financial Statements.

METRO PACIFIC INVESTMENTS CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Amounts in Millions)

	Capital Stock (Note 12)	Additional Paid-in Capital (Note 12)	Treasury Shares (Note 12)	Equity Reserves (Note 12)	Other Comprehensive Income Reserve	Retained Earnings (Note 12)	Total
At January 1, 2022	**₱31,661**	**₱68,638**	**(₱5,705)**	**₱91**	**₱6**	**₱45,662**	**₱140,353**
Total comprehensive income for the year:							
Net income	–	–	–	–	–	**5,498**	**5,498**
Other comprehensive income	–	–	–	–	**145**	–	**145**
Restricted Stock Unit Plan ("RSUP") (Note 17)	–	–	–	**18**	–	–	**18**
Treasury shares	–	–	**(4,998)**	–	–	–	**(4,998)**
Cash dividends declared (Note 12)	–	–	–	–	–	**(3,278)**	**(3,278)**
At December 31, 2022	**₱31,661**	**₱68,638**	**(₱10,703)**	**₱109**	**₱151**	**₱47,882**	**₱137,738**
At January 1, 2021	₱31,661	₱68,638	(₱3,420)	₱68	₱5	₱37,806	₱134,758
Total comprehensive income for the year:							
Net income	–	–	–	–	–	11,248	11,248
Other comprehensive income	–	–	–	–	1	–	1
RSUP (Note 17)	–	–	–	23	–	–	23
Treasury shares	–	–	(2,285)	–	–	–	(2,285)
Cash dividends declared (Note 12)	–	–	–	–	–	(3,392)	(3,392)
At December 31, 2021	₱31,661	₱68,638	(₱5,705)	₱91	₱6	₱45,662	₱140,353

See accompanying Notes to Parent Company Financial Statements.

METRO PACIFIC INVESTMENTS CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(Amounts in Millions)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱5,697**	₱11,281
Adjustments for:		
Dividend income (Note 7 and 11)	**(13,740)**	(20,428)
Interest expense (Note 15)	**4,470**	4,733
Provision for impairment of assets (Notes 7 and 15)	**3,842**	3,047
Gain on reversal of impairment (Notes 7 and 15)	**(2,158)**	–
Provision for non-recoverability of input taxes (Note 15)	**418**	–
Interest income (Note 15)	**(286)**	(167)
Long-term incentive plan (“LTIP”) expense (Notes 13 and 14)	**256**	12
Depreciation and amortization (Notes 8 and 13)	**54**	41
Retirement costs (Note 14)	**34**	13
Others	**280**	57
Operating loss before working capital changes	**(1,133)**	(1,411)
Decrease (increase) in:		
Restricted cash	**(490)**	227
Receivables	**58**	(648)
Due from related parties	**(54)**	(21)
Other current assets	**(109)**	(48)
Increase (decrease) in:		
Due to related parties	**6**	1
Accrued expenses and other current liabilities	**(96)**	119
Net cash used in operations	**(1,818)**	(1,781)
Dividends received (Notes 7 and 11)	**13,740**	20,428
Interest paid	**(4,148)**	(4,706)
Retirement contributions paid (Note 14)	**(590)**	(19)
Interest received	**275**	164
Income tax paid	**(53)**	(33)
Net cash from operating activities	**7,406**	14,053

(Forward)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of/additions to:		
Investments and advances (Note 7)	**(₱10,007)**	(₱10,286)
Investments in financial assets (Notes 7, 20 and 21)	**(2,956)**	(504)
Property and equipment (Note 8)	**(99)**	(57)
Software costs (Note 8)	**–**	(10)
Short-term deposits	**–**	(5,258)
Other noncurrent assets	**(16)**	(1)
Collections/proceeds from sale of:		
Redemption of Beacon Electric's shares (Note 7)	**2,827**	–
Redemption of short-term deposits	**1,185**	9,830
Property and equipment and others (Note 8)	**4**	24
Placement of short-term deposit (Note 5)	**–**	(47)
Net cash used in investing activities	**(9,062)**	(6,309)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan availment (Notes 10 and 22)	**5,000**	6,251
Payments of/for:		
Long-term debt (Notes 10 and 22)	**(7,715)**	(2,189)
Treasury shares (Note 12)	**(4,998)**	(2,285)
Debt issue costs (Notes 10 and 22)	**(38)**	(138)
Lease liability (Note 9 and 22)	**(28)**	(16)
Dividends paid (Note 12)	**(3,278)**	(3,392)
Payments to related parties (Notes 11 and 22)	**–**	(2,450)
Net cash used in financing activities	**(11,057)**	(4,219)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**25**	7
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(12,688)**	3,532
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 5)	**20,118**	16,586
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱7,430**	₱20,118

See accompanying Notes to Parent Company Financial Statements.

1. **Corporate Information**

Metro Pacific Investments Corporation (the "Company" or "MPIC") was incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") on March 20, 2006 as an investment holding company. MPIC's common shares of stock are listed in and traded through the Philippine Stock Exchange ("PSE").

Metro Pacific Holdings, Inc. ("MPHI") owns 46.08% and 43.97% of the total issued and outstanding common shares of MPIC as at December 31, 2022 and 2021, respectively. As sole holder of the voting Class A Preferred Shares, MPHI's combined voting interest as a result of all of its shareholdings is estimated at 59.09% and 57.02% as at December 31, 2022 and 2021, respectively.

MPHI is a Philippine corporation whose stockholders are Enterprise Investment Holdings, Inc. ("EIH") (60.0% interest), Intalink B.V. (26.7% interest) and First Pacific International Limited ("FPIL") (13.3% interest). First Pacific Company Limited ("FPC"), a company incorporated in Bermuda and listed in Hong Kong, through its subsidiaries, Intalink B.V. and FPIL, holds 40% equity interest in EIH and investment financing which under Hong Kong Generally Accepted Accounting Principles, require FPC to account for the results and assets and liabilities of EIH and its subsidiaries as part of FPC group companies in Hong Kong.

Amendment of Articles of Incorporation

On April 26, 2021, the BOD of MPIC approved a resolution to amend the Third Article of the Parent Company's Articles of Incorporation changing its principal office address to 9th Floor, Tower 1, Rockwell Business Center, Ortigas Avenue Pasig City. The aforementioned amendment has been approved by the shareholders on May 28, 2021 and by the SEC on March 7, 2022.

The registered office address of the Company is 9th Floor Tower 1, Rockwell Business Center, Ortigas Avenue, Barangay Ugong, Pasig City.

The accompanying parent company financial statements as at and for the years ended December 31, 2022 and 2021 were approved and authorized for issuance by the Board of Directors ("BOD") on April 4, 2023.

Company's Operating Segments
The Company's operating segments are as follows:

a. *Power*, which primarily relates to the operations of Manila Electric Company ("MERALCO") in relation to the distribution, supply and generation of electricity. The investment in MERALCO was held both directly by the Company and indirectly through Beacon Electric Asset Holdings, Inc. ("Beacon Electric").

   The investment in Global Business Power Corporation ("GBPC") which is held through Beacon Electric's wholly owned entity, Beacon PowerGen Holdings Inc. ("BPHI", now merged with Beacon Electric as the surviving entity), has been sold to Meralco PowerGen Corporation ("MGen"), a wholly owned subsidiary of MERALCO on March 31, 2021 (see Note 7).

b. *Toll operations,* which primarily relate to operations and maintenance of toll facilities by Metro Pacific Tollways Corporation ("MPTC") and its subsidiaries, NLEX Corporation ("NLEX Corp"), Cavitex Infrastructure Corporation ("CIC"), MPCALA Holdings, Inc. ("MPCALA"), Cebu Cordova Link Expressway ("CCLEC"), and foreign investees, CII Bridges and Roads Investment Joint Stock Company ("CII B&R"), Don Muang Tollway Public Ltd ("DMT"), which was sold in 2021 (see Note 7), PT Nusantara Infrastructure Tbk ("PT Nusantara") and Jasa Marga Jalanlayang Cikampek ("JJC").

c. *Water,* which relates to the provision of water and sewerage services by Maynilad Water Holding Company, Inc. ("MWHC") and its subsidiary, Maynilad Water Services, Inc. ("Maynilad") and Philippine Hydro, Inc. ("PHI"); and other water-related services by MetroPac Water Investments Corporation ("MPW") and its foreign investees, B.O.O. Phu Ninh Water Treatment Plant Joint Stock Company ("PNW") and Tuan Loc Water Resources Investment Joint Stock Company ("TLW").

d. *Rail*, which primarily relates to Metro Pacific Light Rail Corporation ("MPLRC") and its subsidiary, Light Rail Manila Corporation ("LRMC"), the concessionaire for the operations and maintenance of the Light Rail Transit Line 1 ("LRT-1") and construction of the LRT-1 south extension.

e. *Others*, which represent holding companies and operations of subsidiaries and other investees involved in health, fuel storage, real estate, biogas, food and agriculture.

See Note 7 for the complete list of the Company's subsidiaries, associates and joint venture.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The separate or parent company financial statements are prepared on a historical cost basis, except for certain equity financial assets and financial liabilities that are measured at fair value (see Note 21). The parent company financial statements are presented in Philippine Peso, which is the Company's functional currency, and all values are rounded to the nearest million peso (₱000,000) except when otherwise indicated. The parent company financial statements are prepared for submission to the Bureau of Internal Revenue ("BIR"), the Philippine Securities and Exchange Commission ("SEC") and Philippine Stock Exchange ("PSE").

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements, presented in compliance with Philippine Financial Reporting Standards ("PFRS"). MPIC and its subsidiaries (collectively referred to as the "Group") also files its consolidated financial statements with the Philippine SEC and PSE.

Statement of Compliance

The parent company financial statements are prepared in compliance with PFRS. The Company's significant accounting policies are disclosed in Note 24.

3. Management's Use of Judgments and Estimates

The preparation of the parent company financial statements in compliance with PFRS requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, the disclosure of contingent liabilities and other significant disclosures. In preparing the parent company financial statements, management has made its best judgments and estimates of certain amounts, giving due consideration to materiality. The judgments and estimates used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the parent company financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

The Company believes that the following represent a summary of these significant judgments and estimates, related impact and associated risks in the parent company financial statements.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements.

Issuance of Exchangeable Bonds as Equity Transactions. Under PFRS, the treatment of convertible bonds which compel the holder to convert the bond (rather than being at the holder's option) depends on whether the number of shares issued on conversion are variable or fixed:

- If the mandatorily convertible bond can only be settled by the issue of a variable amount of ordinary shares calculated to equal a fixed amount in the issuer's functional currency (that is, there is a repayment of principal, albeit in shares), the instrument is a liability.
- If the mandatorily convertible bond can only be settled by the issue of a fixed number of ordinary shares, that part of the instrument is an equity component.

In 2014 and 2019, MPIC issued Exchangeable Bonds with aggregate principal amount of ₱36.6 billion. These Exchangeable Bonds are instruments that, at a certain time in the future, mandatorily convert into a fixed number of Metro Pacific Health Corporation ("MPH"), formerly known as Metro Pacific Hospital Holdings, Inc., common shares (see Note 7). The Exchangeable Bonds are forward contracts to deliver fixed number of shares for which consideration has been received in advance, and hence, are effectively accounted for as equity transactions in the parent company financial statements.

Accounting for Arrangements as a Single Transaction. In determining whether to account for the arrangements as a single transaction, an entity considers all the terms and conditions of the arrangements and their economic effects. One or more of the following circumstances indicate that it is appropriate for a parent to account for multiple arrangements as a single transaction:

- they are entered into at the same time or in contemplation of each other;
- they form a single transaction designed to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement; or
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

The indicators clarify that arrangements that are part of a package are accounted for as a single transaction.

In 2019, the series of transactions entered into by MPIC together with MPH for the investment and entry of KKR and Co. ("KKR"), alongside Arran Investments Private Limited ("Arran"), in and to MPH, were assessed to be linked agreements and thus, were accounted for as a single transaction that resulted to the deconsolidation of MPH considering MPIC's loss of control over MPH with the remaining interest accounted for as investment in associate. Management's judgments in concluding the loss of control over MPH and accounting for the remaining investment are discussed in Note 7.

Definition of Default and Credit-impaired Financial Assets. The Company defines a financial instrument 'in default', which is fully aligned with the definition of 'credit-impaired', when the borrower is more than 180 days past due on its contractual payments (i.e., principal and/or interest) or when the borrower is experiencing financial difficulty.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of 'in default' used for internal credit risk management purposes. A financial instrument is no longer in default (i.e., to have cured) when the counterparty has exhibited a satisfactory track record evidencing strong capacity to meet its contractual obligations in the near term.

Contingent events leading to exercise of Put and Call Options. The put and call options under the shareholders' agreement between MPIC and Sumitomo Corporation ("Sumitomo") (see Note 7) are contingent options whose values are linked or interdependent based on which of the contingent events giving rise to the options will likely occur first or is probable of occurring. This is because the exercise of one of the options will render the remaining option no longer exercisable.

For these contingent put and call options, included as a factor in the valuation is the assessment of whether the probability of the contingent event happening is remote or nil. If the contingent event happening is assessed to be remote or nil, then the value of the options will also be nil or minimal. Based on management's judgment, the probability of the event (or events) happening (leading to MPIC's right to exercise its call option) and the probability of the event (or events) happening (leading to Sumitomo's right to exercise its put option) are both very low as the Company would rationally not take any actions that would negatively affect its investment in LRMC. Hence, the value of the derivative arising from the call and put options are zero or minimal (see Note 7).

Estimates
The key assumptions concerning future and other key sources of estimation at the end of reporting period, 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. The Company based its assumptions and estimates on parameters available when the parent company financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Determination of Fair Value of Financial Instruments. The Company initially records all financial instruments at fair value and subsequently carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgment. Valuation techniques are used particularly for financial assets and financial liabilities that are not quoted in an active market. Where valuation techniques are used to determine fair values (e.g., discounted cash flow, option models), they are periodically reviewed by qualified personnel who are independent of the persons that initiated the transactions. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data as valuation inputs. However, other inputs such as credit risk (whether that of the Company or the counterparties), forward prices, volatilities and correlations, require management to develop estimates or make adjustments to observable data of comparable instruments. The amount of changes in fair values would differ if the Company uses different valuation assumptions or other acceptable methodologies. Any change in fair value of these financial instruments would affect either the parent company statement of comprehensive income or parent company statement of changes in equity.

Fair values of financial instruments are presented in Note 21.

Incorporation of Forward-looking Information. To capture the effect of changes to the economic environment in the future, the computation of Probability of Default ("PD"), Loss Given Default ("LGD") and Expected Credit Loss ("ECL"), incorporates forward-looking information; assumptions on the path of economic variables that are likely to have an effect on the repayment ability of the Company's counterparties. The starting point for the projections of economic variables is based on management's view, which underlies the plan to deliver the Company's strategy and ensures it has sufficient capital over the medium term. Management's view covers a core set of economic variables required to set the strategic plan, namely inflation, unemployment rate, gross domestic product and peso-dollar exchange rate.

Provision for ECL. The Company has the following financial assets that are subject to the ECL model: (i) cash and cash equivalents and short-term deposits; (ii) restricted cash; (iii) receivables; and (iv) due from related parties.

Carrying value of financial assets as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(In Millions)	
Cash and cash equivalents (see Note 5)	**₱7,430**	₱20,118
Short-term deposits (see Note 5)	–	1,183
Restricted cash (see Note 5)	**491**	1
Receivables (see Note 6)	**632**	690
Due from related parties (see Note 11)	**79**	25

While cash and cash equivalents, short-term deposits and restricted cash are also subject to the impairment requirements of PFRS 9, *Financial Instruments,* the impairment loss was deemed immaterial.

The Company assessed that the provision for ECL of receivables and due from related parties amounted to nil for the years ended December 31, 2022 and 2021.

The information about the ECLs on the Company's receivables and due from related parties is disclosed in Note 20.

Impairment of Investments and Advances. Impairment review is performed when certain impairment indicators are present. In addition to the impairment indicators discussed in Note 7, receipt of dividend from the Company's subsidiaries, associates and joint ventures that meets the following conditions may be an internal indicator that the investments and advances are impaired. Impairment testing is required when a dividend is received and:

- there is evidence available that the carrying amount of the investments in the Company's separate financial statements exceeds the carrying amount of subsidiaries', associates' and joint ventures' net assets; or,
- the dividend exceeds the total comprehensive income of subsidiaries, associates and joint ventures.

The carrying value of the investments and advances amounted to ₱218,142.4 million and ₱212,477.3 million as at December 31, 2022 and 2021, respectively (see Note 7). Accumulated impairment amounted to ₱11,512.2 million and ₱9,469.0 million as at December 31, 2022 and 2021, respectively. Impairment losses on investments and advances recognized for the years ended December 31, 2022 and 2021 amounted to ₱3,841.8 million and ₱3,046.6 million, respectively (see Notes 7 and 15).

Impairment of Nonfinancial Assets. Impairment review is performed when certain impairment indicators are present. Determining the recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

While it is believed that the assumptions used in the estimation of recoverable values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

The carrying values of non-financial assets (excluding investments and advances) subject to impairment review when impairment indicators are present are as follows:

	2022	2021
	(In Millions)	
Property and equipment and software costs (see Note 8)*	**₱214**	₱94
Input taxes (current and noncurrent)	**35**	404

**Included under "Other noncurrent assets".*

In 2022, the Company provided an allowance for non-recoverability of input tax amounting to ₱418.2 million because management believes that the Company will not have substantial transactions that will yield income subject to output VAT.

Provision for unrecoverable input tax amounted to ₱418.2 million and nil for the years ended December 31, 2022 and 2021. Carrying value of input taxes (included in "Other current assets" account in the statements of financial position) amounted to ₱34.5 million and ₱404.2 million as at December 31, 2022 and 2021. Allowance for unrecoverable input taxes amounted to ₱418 million and nil as at December 31, 2022 and 2021, respectively.

Realizability of Deferred Income Tax Assets. The Company reviews the carrying amounts of unrecognized deferred income taxes at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets have not been recognized as at December 31, 2022 and 2021 because management believes that the Company may not have sufficient future taxable profits available to allow all or part of the deferred income tax assets to be utilized in the near future.

The Company has deductible temporary differences, unused tax credits from minimum corporate income tax ("MCIT") and unused net operating loss carryover ("NOLCO"), aggregating to ₱22,712 million and ₱25,090 million as at December 31, 2022 and 2021, respectively, for which no deferred tax assets have been recognized (see Note 16).

Retirement Costs. The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions, described in Note 14, are reviewed at each reporting date.

Retirement cost for the years ended December 31, 2022 and 2021 amounted to ₱33.5 million and ₱13.3 million, respectively (see Note 14).

Share-based Payments. The Company measures the cost of cash and equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The Company recognizes expenses based on the estimated number of grants that will ultimately vest and will require settlement. The Company's average turnover rate over the past few years is used to determine the attrition rate in computing the benefit expense and estimated liability.

Total equity-based compensation expense recognized in 2022 and 2021 under "Equity reserve" amounted to ₱18.0 million and ₱22.5 million, respectively (see Notes 13 and 17).

LTIP. The LTIP for key executives of the Company and certain subsidiaries was approved by the Executive Compensation Committee and the BOD which is based on profit targets for the covered performance cycle. The cost of LTIP is determined using the projected unit credit method based on prevailing discount rates and profit targets. While management's assumptions are believed to be reasonable and appropriate, significant differences in actual results or changes in assumptions may materially affect the Company's long-term incentive benefits.

LTIP expense for the years ended December 31, 2022 and 2021 amounted to ₱256.1 million and ₱12.2 million, respectively. LTIP payable included under "Accrued expenses and other current liabilities " amounting to ₱867.7 million as at December 31, 2022. As at December 31, 2021, LTIP payable was presented under "Other noncurrent liabilities" amounting to ₱719.0 million (see Notes 13 and 14).

Provisions. The Company recognizes provisions based on estimates of whether it is probable that an outflow of resources will be required to settle an obligation. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the financial performance in the current period in which such determination is made. Provisions mainly consist of estimated tax warranties and indemnities relating to dilution of interest in MPH (see Note 7).

4. Operating Segment Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Company's BOD who decides on how resources are to be allocated to the segment and assesses its performance, and for which discrete financial information is available.

For management purposes, the Company is organized into the following segments based on services and products namely: power, toll operations, water, rail, and others (see Note 1).

Impact of COVID-19 to MPIC's Businesses and Operations. The businesses of the Company have been affected by the global outbreak of a novel strain of COVID-19, which was first reported in city of Wuhan, Hubei Province, People's Republic of China. While the outbreak was initially concentrated in China, in January 2020, the World Health Organization declared the COVID-19 outbreak as a

"Public Health Emergency of International Concern" and as a pandemic on March 11, 2020. COVID-19 has severely affected and continues to seriously affect the global economy. Several nations and territories, including the Philippines, have imposed strict quarantine measures, social distancing rules, closure of work sites, restaurants, bars and non-essential services, and even complete lockdowns of certain populations or areas. These measures resulted in drastically reduced economic activities, which brought down demand for the businesses of the Group.

The mobility restrictions implemented by the Republic of the Philippines ("ROP" or the "Government") has affected the average daily traffic for the Company's toll roads business, and consequently toll revenues. Its light rail business was limited to a maximum operating capacity of 30% from October 2020 until it was increased to 70% in November 2021 and 100% in March 2022. Demand for water is still behind pre-pandemic levels as consumption remain low.

After a steady and continued decline in infection and hospitalization rates, on March 1, 2022, the country was placed under the lowest level of mobility restriction.

Government authorities in other countries where the Group and its associated companies operate, such as Indonesia and Vietnam, have also adopted measures, including lockdowns and closure of non-essential businesses, in an attempt to control the spread of the virus and mitigate the impact of the outbreak.

The impact of the community quarantine (and various regional lockdowns) on MPIC's businesses is as follows:

a. *Power - MERALCO*. In Luzon, there is reduction in the demand from the commercial and industrial sectors partially offset by increased demand from residential customers as a direct consequence of the ECQ. In 2022, however, volumes have already exceeded pre-pandemic levels, with commercial and industrial consumption leading the growth.

   In 2021, there was an extension of payment due dates for billings during the ECQ period provided to customers in accordance with the advisories issued by the Department of Energy ("DOE") and Energy Regulatory Commission ("ERC").

b. *Toll Operations*. NLEX, SCTEX, CAVITEX and CALAX have remained open to facilitate unhampered movement of essential goods and transit of medical workers amid the Luzon-wide ECQ while the international roads remained open as well. In 2020 up to early 2021, average daily vehicle entries in both Philippine and international roads declined as a result of the implementation of various levels of quarantine and declaration of national emergency. Traffic volume started to pick up towards the end of 2021 and has now surpassed pre-pandemic performance.

c. *Water – Maynilad*. The pandemic brought about higher residential demand during lockdowns but the consumption of commercial and industrial segments declined with the closure of non-essential businesses. The latter started to pick up in the second quarter of 2022. Since these segments are charged at higher rates, revenues are now slightly up compared to the same period last year.

   On November 3, 2020, Maynilad also announced that it shall forego the rate increase it is qualified to implement in 2021, specifically the already approved rebasing adjustment for 2021, as well as the mandated Consumer Price Index ("CPI") inflation increase of the year.

d. *Rail*. Rail operations were suspended on the initial lockdown and were only resumed in June 2020 at a limited capacity of 13%. In October 2020, following the DOTr directive to gradually increase maximum passenger capacities, LRMC adjusted passenger loading capacity to 30%. On November 4, 2021, the passenger capacity for rail lines and selected public utility vehicles operating in Metro Manila and its adjacent provinces was increased to 70%. The surge of COVID-19 cases at the start of 2022 due to the Omicron variant has naturally kept actual ridership to less than 30%. On March 1, 2022, public transport was finally allowed to operate at 100% capacity.

Segment Performance and Monitoring. The Company's chief operating decision maker is the BOD. The BOD monitors the operating results of each business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on consolidated net income for the year; earnings before interest, taxes and depreciation and amortization, or Core EBITDA; Core EBITDA margin; and core income (loss). Net income for the year is measured consistent with consolidated net income in the consolidated financial statements.

Core EBITDA is measured as consolidated net income excluding depreciation and amortization of property, plant and equipment and intangible assets, asset impairment on noncurrent assets, financing costs, interest income, equity in net earnings (losses) of associates and joint ventures, net foreign exchange gains (losses), net gains (losses) on derivative financial instruments, provision for (benefit from) income tax and other non-recurring gains (losses). Core EBITDA margin pertains to Core EBITDA divided by operating revenues.

Performance of the operating segments is also assessed based on a measure of recurring profit or core income. Core income is measured as net income attributable to owners of the Company excluding the effects of foreign exchange and derivative gains or losses and non-recurring items ("NRI"), net of tax effect of the aforementioned. NRI represent gains or losses that, through occurrence or size, are not considered usual operating items.

Segment expenses and segment results exclude transfers or charges between business segments. These transfers are also eliminated for purposes of the consolidated financial statements.

There are no revenue transactions with a single customer that accounted for 10% or more of the Group's consolidated revenues and no material inter-segment revenue transactions for the years ended December 31, 2022 and 2021. The Group's revenue substantially comprises of services for which revenue recognition is over time.

Segment capital expenditure is the total cost incurred during the period to acquire service concession assets, property, plant and equipment, and intangible assets other than goodwill. For the consolidated statements of financial position, difference between the combined segment assets and the consolidated assets consist of adjustments and eliminations comprising of goodwill and deferred tax assets. Difference between the combined segment liabilities and the consolidated liabilities largely consist of deferred tax liabilities.

The segment revenues, core income, assets, liabilities, and other segment information of MPIC Group's reportable operating segments as at and for the years ended December 31, 2022 and 2021 are detailed in the following tables. The following table presents consolidated information on core income and certain assets and liabilities regarding business segments:

	Year Ended December 31, 2022 *(In Millions)*							
	Head Office	Power	Toll Operations	Water	Rail	Other Businesses	Adjustments/ Eliminations	Consolidated
Total revenue from external sales	₱–	₱–	₱22,852	₱24,822	₱1,791	₱1,417	₱–	₱50,882
Cost of sales and services	–	–	(8,523)	(9,096)	(1,674)	(515)	–	(19,808)
Gross Margin (Loss)	–	–	14,329	15,726	117	902	–	31,074
General and administrative expenses	(799)	(4)	(2,731)	(4,832)	(614)	(1,656)	–	(10,636)
Other income (charges) – net	(440)	(25)	1,568	(814)	203	(1,233)	–	(741)
Profit (Loss) before Financing Charges	(1,239)	(29)	13,166	10,080	(294)	(1,987)	–	19,697
Interest expense – net	(3,467)	129	(3,431)	(2,397)	(388)	503	–	(9,051)
Profit (Loss) before NCI and Income Tax	(4,706)	100	9,735	7,683	(682)	(1,484)	–	10,646
Non-controlling interest	–	–	(2,288)	(2,741)	289	(26)	–	(4,766)
Provision for income tax	(1)	(5)	(2,180)	(2,276)	137	(317)	–	(4,642)
Contribution from Subsidiaries	(4,707)	95	5,267	2,666	(256)	(1,827)	–	1,238
Share in net earnings (losses) of equity method investees	–	12,265	413	(6)	–	278	–	12,950
Contribution from Operations – Core Income (Loss)	(4,707)	12,360	5,680	2,660	(256)	(1,549)	–	14,188
Non-recurring Income (charges)	1,760	1,098	(726)	(606)	(914)	(4,305)	–	(3,693)
Segment Income (Loss) Attributable to owners of the Parent Company	(₱2,947)	₱13,458	₱4,954	₱2,054	(₱1,170)	(₱5,854)	₱–	₱10,495
Core EBITDA	(₱1,185)	(₱29)	₱15,457	₱13,238	(₱115)	(₱1,929)	₱–	₱25,437
Core EBITDA Margin	–%	–%	68%	53%	–%	–%	–%	50%
Non-recurring Charges	₱1,760	₱1,098	(₱859)	(₱1,241)	(₱3,108)	(₱4,305)	₱–	(₱6,655)
Provision for (benefit from) income tax	–	–	2	64	772	–	–	838
Non-controlling interest	–	–	131	571	1,422	–	–	2,124
Net Non-recurring Charges	₱1,760	₱1,098	(₱726)	(₱606)	(₱914)	(₱4,305)	₱–	(₱3,693)
Assets and Liabilities								
Segment assets	₱13,912	₱19	₱211,390	₱151,963	₱38,699	₱15,480	₱16,010	₱447,473
Investments and advances	60,379	110,281	23,654	1,645	–	364	–	196,323
Consolidated Total Assets	₱74,291	₱110,300	₱235,044	₱153,608	₱38,699	₱15,844	₱16,010	₱643,796
Segment Liabilities	₱87,524	₱3,771	₱172,501	₱85,149	₱33,701	₱6,211	₱9,898	₱398,755
Other Segment Information								
Capital expenditures -								
Service concession assets and property, plant and equipment	₱192	₱–	₱17,863	₱16,087	₱3,198	₱179	₱–	₱37,519
Depreciation and amortization	54	–	2,291	3,158	179	58	–	5,740

	Year Ended December 31, 2021 *(In Millions)*									
	Head Office	Power	Toll Operations	Water	Rail	Other Businesses	Adjustments/ Eliminations	Consolidated	GBPC	Continuing Operations
Total revenue from external sales	₱–	₱5,012	₱17,485	₱23,785	₱1,133	₱1,158	₱–	₱48,573	₱5,012	₱43,561
Cost of sales and services	–	(3,392)	(6,890)	(9,358)	(1,430)	(818)	–	(21,888)	(3,392)	(18,496)
Gross Margin (Loss)	–	1,620	10,595	14,427	(297)	340	–	26,685	1,620	25,065
General and administrative expenses	(1,141)	(665)	(2,649)	(4,073)	(567)	(557)	–	(9,652)	(660)	(8,992)
Other income (charges) – net	8	309	1,307	(783)	(19)	(492)	–	330	308	22
Profit (Loss) before Financing Charges	(1,133)	1,264	9,253	9,571	(883)	(709)	–	17,363	1,268	16,095
Interest expense – net	(3,655)	(374)	(2,788)	(2,288)	(35)	294	–	(8,846)	(451)	(8,395)
Profit (Loss) before NCI and Income Tax	(4,788)	890	6,465	7,283	(918)	(415)	–	8,517	817	7,700
Non-controlling interest	–	(509)	(1,671)	(2,833)	367	10	–	(4,636)	(508)	(4,128)
Provision for income tax	2	(46)	(969)	(1,683)	251	(340)	–	(2,785)	(41)	(2,744)
Contribution from Subsidiaries	(4,786)	335	3,825	2,767	(300)	(745)	–	1,096	268	828
Share in net earnings (losses) of equity method investees	–	10,884	41	(7)	–	311	–	11,229	152	11,077
Contribution from Operations – Core Income (Loss)	(4,786)	11,219	3,866	2,760	(300)	(434)	–	12,325	420	11,905
Non-recurring Income (charges)	3,455	3,959	(980)	(1,353)	(2,070)	(5,217)	–	(2,206)	4,670	(6,876)
Segment Income (Loss) Attributable to owners of the Parent Company	(₱1,331)	₱15,178	₱2,886	₱1,407	(₱2,370)	(₱5,651)	₱–	₱10,119	₱5,090	₱5,029
Core EBITDA	(₱1,092)	₱2,150	₱11,452	₱14,371	(₱795)	(₱566)	₱–	₱25,520	₱2,154	₱23,366
Core EBITDA Margin	–%	43%	65%	60%	–%	–%	–%	53%	43%	54%
Non-recurring Charges	3,455	₱3,853	(₱1,105)	(₱2,003)	(₱6,016)	(₱5,210)	₱–	(₱7,026)	₱4,565	(₱11,591)
Provision for (benefit from) income tax	–	249	(73)	9	1,550	(1)	–	1,734	249	1,485
Non-controlling interest	–	(143)	198	641	2,396	(6)	–	3,086	(144)	3,230
Net Non-recurring Charges	3,455	₱3,959	(₱980)	(₱1,353)	(₱2,070)	(₱5,217)	₱–	(₱2,206)	₱4,670	(₱6,876)
Assets and Liabilities										
Segment assets	₱23,829	₱4,572	₱187,536	₱137,227	₱36,310	₱9,336	₱15,843	₱414,653	₱–	₱414,653
Investments and advances	54,369	105,409	8,231	1,672	–	–	–	169,681	–	169,681
Consolidated Total Assets	₱78,198	₱109,981	₱195,767	₱138,899	₱36,310	₱9,336	₱15,843	₱584,334	₱–	₱584,334
Segment Liabilities	₱89,563	₱4,050	₱138,450	₱72,235	₱29,875	₱3,414	₱9,882	₱347,469	₱–	₱347,469
Other Segment Information										
Capital expenditures -										
Service concession assets and property, plant and equipment	₱57	₱236	₱13,773	₱10,381	₱6,300	₱88	₱–	₱30,835	₱–	₱30,835
Depreciation and amortization	41	886	2,199	4,800	88	143	–	8,157	886	7,271

The following table shows the reconciliation of MPIC Group's consolidated Core EBITDA to consolidated net income for the years ended December 31, 2022 and 2021.

	2022	2021
	(In Millions)	
Consolidated Core EBITDA	**₱25,437**	₱25,520
Depreciation and amortization	**(5,740)**	(8,157)
Consolidated operating profit for the year	**19,697**	17,363
Adjustments to reconcile with consolidated net income:		
Interest income	**1,127**	745
Share in net earnings of equity method investees	**12,950**	11,229
Interest expense	**(10,178)**	(9,591)
Nonrecurring gains (losses) – net*	**(6,655)**	(7,026)
Provision for income tax	**(3,804)**	(1,051)
Consolidated net income for the year	**₱13,137**	₱11,669

**Includes net foreign exchange gains (losses)*

The following table shows the reconciliation of MPIC Group's consolidated core income to consolidated net income for the years ended December 31, 2022 and 2021.

	2022	2021
	(In Millions)	
Consolidated core income for the year	**₱14,188**	₱12,325
Non-recurring income (expenses) – net	**(3,693)**	(2,206)
Net income for the year attributable to owners of the Parent Company	**10,495**	10,119
Net income for the year attributable to non-controlling interest	**2,642**	1,550
Consolidated net income for the year	**₱13,137**	₱11,669

The following table shows the analysis and allocation of the consolidated results of operations of MPIC Group to core and NRI, the manner by which MPIC Group reports and assesses their performance, makes decision and allocates resources, for the years ended December 31, 2022 and 2021 and is provided to reconcile the preceding consolidated segment information, amounts and balances with MPIC Group's consolidated statements of income:

	2022				2021			
	Core	**NRI**	**Reclassification**	**Consolidated**	Core	NRI	Reclassification	Consolidated
CONTINUING OPERATIONS OPERATING REVENUES								
Water and sewerage services revenue	**₱24,822**	**₱–**	**(₱282)**	**₱24,540**	₱23,981	₱–	(₱362)	₱23,619
Toll fees	**22,852**	**–**	**–**	**22,852**	17,485	–	–	17,485
Rail revenue	**1,791**	**–**	**–**	**1,791**	1,133	–	–	1,133
Other revenues	**1,417**	**–**	**282**	**1,699**	962	–	362	1,324
	50,882	**–**	**–**	**50,882**	43,561	–	–	43,561
COST OF SALES AND SERVICES	**(19,808)**	**(10)**	**–**	**(19,818)**	(18,496)	(98)	–	(18,594)
GROSS PROFIT (LOSS)	**31,074**	**(10)**	**–**	**31,064**	25,065	(98)	–	24,967
General and administrative expenses	**(10,636)**	**(1,096)**	**–**	**(11,732)**	(8,992)	(1,425)	–	(10,417)
Interest expense	**(10,178)**	**(128)**	**–**	**(10,306)**	(9,137)	(93)	–	(9,230)
Share in net earnings (losses) of equity method investees	**12,950**	**1,260**	**–**	**14,210**	11,077	(775)	–	10,302
Interest income	**1,127**	**7**	**–**	**1,134**	743	2	–	745
Construction revenue	**35,441**	**–**	**–**	**35,441**	27,014	–	–	27,014
Construction costs	**(35,441)**	**–**	**–**	**(35,441)**	(27,014)	–	–	(27,014)
Others	**(741)**	**(6,688)**	**–**	**(7,429)**	17	(9,198)	–	(9,181)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX	**23,596**	**(6,655)**	**–**	**16,941**	18,773	(11,587)	–	7,186
PROVISION FOR (BENEFIT FROM) INCOME TAX	**(4,642)**	**838**	**–**	**(3,804)**	(2,744)	1,485	–	(1,259)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**18,954**	**(5,817)**	**–**	**13,137**	16,029	(10,102)	–	5,927
NET INCOME (LOSS) FROM OPERATIONS OF ENTITIES UNDER PFRS 5	**–**	**–**	**–**	**–**	932	4,810	–	5,742
NET INCOME (LOSS)	**₱18,954**	**(₱5,817)**	**₱–**	**₱13,137**	₱16,961	(₱5,292)	₱–	₱11,669
Net Income Attributable to:								
Owners of the Parent Company	**₱14,188**	**(₱3,693)**	**₱–**	**₱10,495**	₱12,325	(₱2,206)	₱–	₱10,119
NCI	**4,766**	**(2,124)**	**–**	**2,642**	4,636	(3,086)	–	1,550
	₱18,954	**(₱5,817)**	**₱–**	**₱13,137**	₱16,961	(₱5,292)	₱–	₱11,669

By Geographical Market

While the Company's geographic focus is still predominantly the Philippines, MPIC has started increasing its presence in Southeast Asia with its subsidiaries' investments in Indonesia, Thailand and Vietnam (see Note 7). Amounts shown below are based on the Company's consolidated financial statements:

	2022	2021
	(In Millions)	
Revenue		
From Continuing Operations:		
Philippines	**₱48,092**	₱41,504
Indonesia	**2,755**	2,033
Vietnam	**35**	24
	50,882	43,561
From Operations of Entities under PFRS 5		
Philippines	**–**	5,012
	₱50,882	₱48,573
Share in net earnings (losses) of equity method investees:		
From Continuing Operations:		
Philippines	**₱13,812**	₱10,277
Indonesia	**268**	123
Thailand	**–**	6
Vietnam	**130**	(104)
	14,210	10,302
From Operations of Entities under PFRS 5		
Philippines	**–**	152
	₱14,210	₱10,454
Noncurrent assets [(a)]:		
Philippines	**₱511,316**	₱472,175
Indonesia	**45,695**	28,357
Vietnam	**6,856**	5,389
	₱563,867	₱505,921

[(a)] *Excluding financial instruments and deferred tax assets.*

The following table shows the reconciliation of consolidated amounts and the amounts reflected in the parent company financial statements as at and for the years ended December 31, 2022 and 2021.

	2022		
	Consolidated	**Subsidiaries, Associates and Joint Ventures**	**Parent Company**
		(In Millions)	
Operating revenues:			
From continuing operations	**₱50,882**	**₱50,882**	**₱–**
From operations of entities under PFRS 5	**–**	**–**	**–**
Net income for the year attributable to owners of the parent company:			
From continuing operations	**10,495**	**4,997**	**5,498**
From operations of entities under PFRS 5	**–**	**–**	**–**
Total assets	**643,796**	**411,853**	**231,943**
Total liabilities	**398,755**	**304,550**	**94,205**
Capital expenditures	**37,519**	**37,327**	**192**

	2021		
	Consolidated	Subsidiaries, Associates and Joint Ventures	Parent Company
		(In Millions)	
Operating revenues:			
From continuing operations	₱43,561	₱43,561	₱–
From operations of entities under PFRS 5	5,012	5,012	–
Net income for the year attributable to owners of the parent company:			
From continuing operations	5,029	(6,219)	11,248
From operations of entities under PFRS 5	5,090	5,090	–
Total assets	584,334	348,252	236,082
Total liabilities	347,469	251,740	95,729
Capital expenditures	30,835	30,768	67

5. Cash and Cash Equivalents, Short-Term Deposits and Restricted Cash

As at December 31, this account consists of:

	2022	2021
	(In Millions)	
Cash and cash equivalents	**₱7,430**	₱20,118
Short-term deposits	**–**	1,183
	₱7,430	₱21,301

Cash and Cash Equivalents. Cash and cash equivalents include cash in banks and temporary placements that are made for varying periods of up to three months depending on the immediate cash requirements of the Company. Cash in banks and temporary placements earn interest at the prevailing bank and temporary placements rates, respectively.

Short-term Deposits. Short-term deposits are deposits with original maturities of more than three months to one year from dates of acquisition and earn interest at the prevailing short-term deposits rates.

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the following as at December 31:

	2022	2021
	(In Millions)	
Cash on hand and in banks	**₱2,665**	₱3,814
Short-term deposits that qualify as cash equivalents	**4,765**	16,304
	₱7,430	₱20,118

Restricted Cash. Restricted cash classified under current assets pertains to debt service account (“DSA”) representing amounts set aside for semi-annual principal and interest payments of certain long-term debt. This DSA is maintained and replenished in accordance with the provision of the loan agreements (see Note 10). Restricted cash as of December 31, 2022 and 2021, amounted to ₱490.8 million and ₱1.4 million, respectively.

Interest earned from cash and cash equivalents, short-term deposits and restricted cash amounted to ₱277.3 million and ₱158.3 million for the years ended December 31, 2022 and 2021, respectively (see Note 15).

6. Receivables

As at December 31, this account consists of:

	2022	2021
	(In Millions)	
Accounts receivable	**₱9**	₱76
Interest receivables	**27**	12
Advances to employees	**7**	4
Other receivables	**660**	669
	703	761
Less allowance for ECL (see Note 20)	**71**	71
	₱632	₱690

Other receivables. As part of the Group's continuing commitment to ensure the health and safety of its employees and families, the Company has completed its COVID-19 vaccination rollout in 2021. Total costs of vaccines including administration costs amounted to ₱597.2 million which are charged to other entities included in the vaccination rollout in 2021.

7. Investments and Advances

As at December 31, the Company's direct subsidiaries, joint venture and associates are as follows:

Investee	Principal Activity	Direct MPIC Ownership Interest 2022	2021
Subsidiaries:			
Beacon Electric	Investment holding	**100.0**	100.0
MPTC	Investment holding	**99.9**	99.9
MWHC	Investment holding	**51.3**	51.3
Maynilad	Utilities	**5.2**	5.2
MPW	Investment holding	**100.0**	100.0
MPLRC	Investment holding	**65.1**	65.1
MPIC Infrastructure Holdings Limited ("MIHL")	Investment holding	**100.0**	100.0
Fragrant Cedar Holdings, Inc. ("FCHI")	Property lessor	**100.0**	100.0
MetroPac Logistics Company, Inc. ("MPLC")	Investment holding	**100.0**	100.0
Metro Pacific Resource Recovery Corp. ("MPRRC")	Investment holding	**100.0**	100.0
MetPower Venture Partners Holdings, Inc. ("MVPHI")	Investment holding	**100.0**	100.0
Metro Vantage Properties, Inc. ("Metro Vantage")	Investment holding/real estate	**100.0**	100.0
Metro Pacific Health Tech Corporation ("MPHTC")	Mobile healthcare services	**100.0**	100.0
Landco Pacific Corporation ("Landco")	Real estate	**100.0**	–
Metro Pacific Agro Ventures, Inc. ("MPAV")	Investment holding	**100.0**	–
Neo Oracle Holdings, Inc. ("NOHI")	Under liquidation	**96.6**	96.6
Metro Global Green Waste, Inc. ("MGGW")	Under liquidation	**70.0**	70.0
Porrovia Corporation ("Porrovia")	Under liquidation	**50.0**	50.0
Joint ventures:			
Landco Pacific Corporation ("Landco")	Real estate	**–**	38.1
KM Infrastructure Holdings, Inc. ("KM Infra")	Investment holding	**50.0**	50.0

(Forward)

Investee	Principal Activity	Direct MPIC Ownership Interest 2022	2021
Associates:			
MERALCO	Power distribution	**12.5**	10.5
Indra Philippines, Inc. ("Indra Phils.")	Management and IT consultancy	**25.0**	25.0
MPH [(a)]	Healthcare	**20.0**	20.0
MetroPac Apollo Holdings, Inc. ("Apollo") [(b)]	Investment holding	**65.0**	65.0
AF Payments, Inc. ("AFPI")	Operator of contactless payment system	**20.0**	20.0
First Gen Northern Electric Corp. ("FGNEC")	Under liquidation	**33.3**	33.3

(a) Ownership interest reflects economic interest on a fully diluted basis (see discussion below).
(b) Ownership interest reflects interest prior to call option exercise (see discussion below).

All of the above investees were incorporated in the Philippines, except for MIHL which was incorporated in British Virgin Islands.

As at December 31, the carrying value of the Company's investments and advances follows:

	2022	2021
	(In Millions)	
Investments in subsidiaries:		
Beacon Electric	**₱91,441**	₱94,268
MPTC	**46,379**	46,379
MWHC	**12,277**	12,277
MPW	**10,770**	10,055
MPLC*	**6,446**	6,446
MPLRC	**6,262**	5,344
Maynilad	**2,071**	2,071
MVPHI	**2,057**	1,854
MPHTC	**795**	645
Metro Vantage	**545**	545
FCHI	**437**	437
Landco*	**773**	–
NOHI	**230**	230
MPRRC	**218**	218
MPAV	**202**	–
Porrovia	**10**	10
MGGW*	**28**	28
	180,941	180,807
Investments in associates:		
MERALCO	**35,203**	27,428
MPH	**1,426**	1,426
AFPI*	**1,158**	940
Indra Phils.	**327**	327
Apollo	**55**	55
FGNEC*	–	–
	38,169	30,176

(Forward)

	2022	2021
	(In Millions)	
Investments in joint venture:		
KM Infra	**₱7,116**	₱7,116
Landco*	**–**	773
	7,116	7,889
Advances to investees*	**3,428**	3,074
Less: Accumulated impairment (see Note 15)	**(11,512)**	(9,469)
	₱218,142	₱212,477

**With corresponding allowance for impairment (see Accumulated impairment).*

Movements of investments and advances are as follows:

	December 31, 2022			
	Subsidiaries	**Associates**	**Joint Venture**	**Total**
		(In Millions)		
Investments:				
Balance at beginning of year	**₱180,807**	**₱30,176**	**₱7,889**	**₱218,872**
Additions:				
Acquisitions	**–**	**7,775**	**–**	**7,775**
Equity funding into existing or newly incorporated entities	**1,813**	**50**	**–**	**1,863**
Application of advances	**375**	**–**	**–**	**375**
Reclassification	**773**	**–**	**(773)**	**–**
Non-cash investment	**–**	**168**	**–**	**168**
Less:				
Redemption of shares	**(2,827)**	**–**	**–**	**(2,827)**
	180,941	**38,169**	**7,116**	**226,226**
Advances:				
Balance at beginning of year	**375**	**–**	**2,699**	**3,074**
Additions	**101**	**–**	**268**	**369**
Reclassification	**2,967**	**–**	**(2,967)**	**–**
Non-cash investment	**360**	**–**	**–**	**360**
Less:				
Application of advances	**(375)**	**–**	**–**	**(375)**
	3,428	**–**	**–**	**3,428**
Impairment:				
Balance at beginning of year	**(5,957)**	**(940)**	**(2,572)**	**(9,469)**
Additional impairment during the year (Note 15)	**(427)**	**(218)**	**(3,197)**	**(3,842)**
Reclassification	**(773)**	**–**	**773**	**–**
Less:				
Reversal of impairment	**–**	**–**	**1,799**	**1,799**
	(7,157)	**(1,158)**	**(3,197)**	**(11,512)**
	₱177,212	**₱37,011**	**₱3,919**	**₱218,142**

	December 31, 2021			
	Subsidiaries	Associates	Joint Venture	Total
Investments:				
Balance at beginning of year	₱178,972	₱30,116	₱773	₱209,861
Additions:				
Equity funding into existing or newly incorporated entities	1,835	60	7,116	9,011
	180,807	30,176	7,889	218,872
Advances:				
Balance at beginning of year	–	–	1,799	2,572
Additional advances during the year	375	–	900	1,275
	375	–	2,699	3,074
Impairment:				
Balance at beginning of year	(2,970)	(880)	(2,572)	(6,422)
Additional impairment during the year (Note 15)	(2,987)	(60)	–	(3,047)
	(5,957)	(940)	(2,572)	(9,469)
	₱175,225	₱29,236	₱8,016	₱212,477

Dividends
Dividend income are as follows:

	2022	2021
	(In Millions)	
Subsidiaries:		
Beacon Electric	**₱7,898**	₱15,437
MPTC	**2,009**	1,853
MWHC	**1,432**	1,433
Maynilad	**157**	156
Associates:		
MERALCO	**2,029**	1,525
Indra Phils.	**100**	24
KM Infrastructure	**115**	–
	₱13,740	₱20,428

MERALCO and Beacon Electric
Beacon Electric. Beacon Electric holds investments in MERALCO and BPHI.

MERALCO. MERALCO is the Philippines' largest electric power distribution company. MERALCO holds a congressional franchise under Republic Act ("RA") No. 9209 effective June 28, 2003. RA No. 9209 grants MERALCO a 25-year franchise valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities, and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. On October 20, 2008, the ERC, granted MERALCO a consolidated Certificate of Public Convenience and Necessity for the operation of electric service within its franchise coverage, effective until the expiration of MERALCO's congressional franchise. MERALCO's participation in Retail Electricity Supply ("RES") is through its local RES unit, Mpower. In 2017, the ERC granted MERALCO's wholly owned subsidiary, Vantage Energy Solutions and Management, Inc. ("VESM"), Solvre, Inc., a wholly owned subsidiary of Meralco PowerGen Corporation, and MeridianX Inc., a wholly owned subsidiary of Comstech Integration Alliance, Inc., distinct RES licenses to operate as retail electricity suppliers in Luzon and Visayas.

MERALCO is a Philippine corporation with its shares listed on the Philippine Stock Exchange.

MPIC's effective interest in MERALCO held indirectly through Beacon Electric is at 34.96% as at December 31, 2022 and 2021.

On August 3, 2022, MPIC acquired an additional 2% of MERALCO's issued and outstanding capital stock for a total consideration of ₱7.8 billion or ₱344 per share. The transaction resulted in MPIC holding an approximately 12.5% direct interest in MERALCO. As the shares were purchased cum dividends, MPIC received 17.5% of the declared dividends on July 25, 2022.

The Company's combined effective interest in MERALCO is at 47.5% and 45.5% effectively as of December 31, 2022 and 2021, respectively. The fair value of the Company's effective investment in MERALCO at 47.5% as at December 31, 2022 and 2021 based on quoted prices of ₱298.50 and ₱297.50 per share amounted to ₱159.7 billion and ₱152.4 billion, respectively.

BPHI. In May 2016, BPHI entered into a Share Purchase Agreement with GT Capital Holdings, Inc. to acquire an aggregate of 56% of the ordinary and issued share capital of GBPC for a total consideration of ₱22.06 billion. The consideration was settled as ₱11.03 billion in cash on closing and the balance via a vendor financing facility, which was replaced with long-term bank debt in August 2016. GBPC, a holding company which, through its subsidiaries, is one of the leading independent power producers in the Visayas region and Mindoro Island.

Share Purchase Agreement ("SPA") between BPHI and Meralco PowerGen Corporation ("MGen"). On December 23, 2020, BPHI entered into a SPA with MGen, a wholly owned subsidiary of MERALCO, for the sale by BPHI of 56% of the issued and outstanding shares of GBPC. The total consideration for the sale of the shares is ₱22,443.4 million which shall be paid in installments as follows:

a) 60% of the purchase price will be paid on completion;
b) 20% of the purchase price will be paid 6 months after closing date ("First Installment"); and
c) 20% of the purchase price will be paid 18 months after closing date (the "Second Installment"), the First Installment and Second Installment are collectively referred to as the "Installment Payments".

The unpaid Installment Payments shall earn interest at the rate of 2.0% p.a. from closing date until payment.

The purchase price has been adjusted to reflect the dividends from GBPC that BPHI received after the signing date.

On March 31, 2021, after executing all the necessary closing conditions and obtaining approvals, the transaction was completed. As of December 31, 2022, the purchase price has been fully paid by MGen.

Merger of Beacon Electric and BPHI. On July 7, 2021, the BOD of Beacon Electric and BPHI approved the planned merger of Beacon Electric and BPHI, with Beacon Electric as the surviving company. BPHI held the investment in GBPC until the latter was sold to MGen on March 31, 2021. It was deemed prudent and in the best interest of each company and its respective stockholders to merge both companies. The merger resulted in simplified operations, improved administrative efficiency, eliminated the duplication of functions and maintenance costs, and attained greater efficiency and economy in the management of the businesses. On December 23, 2021, SEC approved the Plan and Articles of Merger and issued the Certificate of Filing of the Articles of Merger.

The installment payments received by Beacon Electric in 2022 were upstreamed to MPIC by means of redemption of its outstanding preferred shares.

MPTC

MPTC was acquired by MPIC in 2008. MPTC's subsidiaries, held through various holding companies, included NLEX Corp, CIC, MPCALA Holdings, Inc. ("MPCALA") and Cebu Cordova Link Expressway Corporation ("CCLEC"), which were granted concession rights for the construction, operation and management of certain toll projects.

NLEX Corp holds the concession rights for the North Luzon Expressway ("NLEX") up to 2037; the SCTEX up to 2043; and NLEX-South Luzon Expressway ("SLEX") Connector Road Project ("Connector Road") which shall end on its thirty-seventh (37th) anniversary from commencement date.

CIC holds the concession for the Manila - Cavite Expressway ("CAVITEX"), which concession period extends to 2033 for the originally built road and to 2046 for a subsequent extension.

MPCALA holds the concession for the CALAX with a 35-year concession period. The CALAX is a closed-system tolled expressway connecting the CAVITEX and the SLEX. Sub-sections 6 to 8, a segment of CALAX, commenced operations in October 2019 and CALAX Laguna segment interchanges which are part of the sub-section 6 to 8 opened on August 18, 2020. These interchanges are the Laguna Boulevard Interchange and the Laguna Technopark Interchange. As at April 4, 2023, pre-construction works for CALAX Cavite Segment is ongoing. Full completion of CALAX is expected in 2024.

CCLEC holds the concession agreement for the Cebu Cordova Link Expressway ("CCLEX") with a 35-year concession period. The CCLEC construction contract award was made in November 2017. CCLEC secured the Certificate of Substantial of Completion from the Independent Consultant which signifies that at least 95% of the works has been completed. On April 29, 2022, the Local Toll Regulatory Council issued the Toll Operation Certificate.

On April 30, 2022, CCLEX was opened to the public for a "soft opening" via cash collection. The approved toll rates (VAT-inclusive) are ₱90, ₱180 and ₱270 for Class 1, 2 and 3, respectively.

On June 29, 2022, CCLEC received the Certificate of Final Completion.

On July 1, 2022, there is partial implementation of the electronic toll collection system. Some toll lanes were converted to RFID-enabled lanes while others are still accepting cash payment.

On July 2, 2022, the Company already allowed undercap motorcycle (125cc to 399cc engine displacement) in the expressway with a discounted toll rate of ₱60.00.

MPTC, through various foreign holding companies, also has investments in entities domiciled and operating outside the Philippines, namely CII B&R, DMT and PT Nusantara.

PT Nusantara is a publicly listed limited liability company duly established and existing under the laws of the Republic of Indonesia. Its infrastructure portfolio in Indonesia includes toll roads (which is 80% of its core income), ports, energy and water. PT Nusantara's concession assets comprise of toll roads and water concession rights. Toll road concession rights cover the following toll road sections: (a) Tallo-Hasudin Airport; (b) Soekarno Hatta Port – Pettarani; (c) Pondok Ranji and Pondok Aren. The water concession pertains to the right to treat and distribute clean water in the Serang District, Banten in Indonesia.

DMT, a major toll road operator in Bangkok, Thailand holds a toll concession that runs until 2034 for the operation of a 21.9-km six-lane elevated toll road from central Bangkok to Don Muang International Airport and further to the National Monument, north of Bangkok.

On February 19, 2021, FPM Tollway (Thailand) Limited ("FPM Tollway") (a 100% indirect subsidiary of MPTC), completed the sale of 100% of its shareholdings in AIF Toll Roads Holdings (Thailand) Co., Ltd. ("AIF Toll Roads"). AIF Toll Roads owns approximately 29.45% of the outstanding shares of DMT.

MPTC holds a significant minority equity interest equal to about 45% of the outstanding capital of CII B&R. CII B&R has various road and bridge projects in and around Ho Chi Minh City in Vietnam.

<u>MWHC and Maynilad</u>
MWHC owns 92.9% in Maynilad as at December 31, 2022 and 2021.

Maynilad Concession Agreement ("Maynilad CA") with Metropolitan Waterworks and Sewerage System ("MWSS"). On February 21, 1997, Maynilad entered into the Original Concession Agreement ("OCA") with the MWSS. Under the Maynilad OCA, MWSS grants Maynilad, as contractor to perform certain functions and as agent for the exercise of certain rights and powers under the MWSS's Charter, and as contractor, the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required (except certain retained assets of MWSS) to provide water and wastewater services in the West Service Area, as defined in the OCA, including the right to bill and collect for water and wastewater services supplied therein, for 25 years or until May 6, 2022 (the "Maynilad Expiration Date"). In April 2011, the Maynilad Expiration Date was extended for fifteen (15) years, and revised to July 31, 2037, unless the OCA is pre-terminated due to an event of default. This 15-year extension of the OCA was approved by the MWSS in 2009 and was duly acknowledged by the ROP, in accordance with the OCA, through a Letter of Consent and Undertaking dated March 17 2010 ("Republic Undertaking").

Maynilad is also tasked to manage, operate, repair, decommission and refurbish certain specified MWSS facilities in the West Service Area. The legal title to these assets remains with MWSS. However, the legal title to all property, plant and equipment that Maynilad contributes to the existing MWSS system during the concession period remains with Maynilad until the Maynilad Expiration Date (or on early termination date) at which time, all rights, titles and interest in such assets will automatically vest in MWSS.

Sometime in the latter part of 2019, the then President Rodrigo Duterte ordered the review of the terms of the OCA, and in January 2020, formed the Concession Agreements Review Committee ("RevCom") to review the OCA as well as the concession agreement of Manila Water and to submit its recommendations to the President. The RevCom was composed of the Executive Secretary, the Secretaries of the Departments of Justice and Finance, the Solicitor General, the Government Corporate Counsel and the Presidential Adviser on Flagship Programs and Projects.

On May 18, 2021, Maynilad and MWSS signed the Revised Concession Agreement ("RCA"), the notable provisions of which are the following:

1. Confirmation of the July 31, 2037 expiration date;

2. Imposition of a tariff freeze until December 31, 2022;

3. Removal of Corporate Income Tax ("CIT") from among Maynilad's recoverable expenditures as well as the Foreign Currency Differential Adjustment;

4. Capping of the annual inflation factor to 2/3 of the Consumer Price Index;

5. Imposition of rate caps for water and sewerage services to 1.3x and 1.5x, respectively, of the previous standard rate;

6. Removal from the Republic Undertaking of the non-interference of the Government in the rate-setting process, and the limitation of the ROP's financial guarantees to cover only those loans and contracts that are existing as of the signing of the RCA;

7. Replacement of the market-driven Appropriate Discount Rate with a 12% fixed nominal discount rate; and

8. Retention of the rate rebasing mechanism where, subject to the rate caps in item 5 above, the rates for the provision of water and wastewater services will be set at a level that will allow Maynilad to recover, over the term of the concession, expenditures efficiently and prudently incurred and to earn a reasonable rate of return.

The RCA is to take effect six months after it was signed on May 18, 2021, or on November 18, 2021, upon compliance with all the conditions precedent ("RCA Effective Date" and "RCA CPs", respectively). However, the Republic Undertaking, which is among the RCA CPs, has not yet been issued as of November 18, 2021. Hence, upon the request of the Maynilad and Manila Water ("Water Concessionaires"), the MWSS Board, through a resolution passed on November 16, 2021, moved the RCA's Effective Date to December 18, 2021.

Maynilad, on December 14, 2021, again requested the MWSS Board to defer the RCA's Effective Date by another two months (until February 16, 2022) or until the Republic Undertaking is issued. Following the Regular Board Meeting held on February 10, 2022, MWSS issued Resolution No. 2022-015-CO to further extend the Effective Date of the RCA for thirty (30) days or until March 18, 2022. On March 9, 2022, the MWSS Board approved to defer further the RCA Effective Date from March 18, 2022 until the time that the Republic Undertaking is issued.

On June 9, 2022, Maynilad received a copy of Resolution No. 2022-073-CO dated June 2, 2022, which approved the further extension to the Effective Date of the RCA until June 30, 2022, subject to receipt of the signed Republic Undertaking as required under Article 16.3 (iii) (c) of the RCA.

On June 30, 2022, Maynilad received MWSS's letter of even date informing Maynilad that the DOF has issued the Republic Undertaking dated June 24, 2022 signed by the Executive Secretary and the DOF Secretary.

Maynilad wrote the MWSS on July 1, 2022 informing them that the signed Republic Undertaking does not conform to the agreed form in the RCA, and, thus, Section 16.3 (iii) (c) of the RCA has not been satisfied. Thus, Maynilad's obligation to effect the changes in the OCA has not commenced.

It is Maynilad's position that the OCA [as amended by the Technical Corrections Agreement dated July 31, 1997 and Amendment No. 1 dated October 5, 2001, and extended by the Memorandum of Agreement and Confirmation dated April 22, 2010 ("2010 MOA")], and the Letter of Undertaking dated March 17, 2010 issued by the Department of Finance, remain valid and effective.

Further, it is Maynilad's position that Republic Act No. 11600 which granted Maynilad a 25-year franchise, or until 2047, to "establish, operate and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and Province of Cavite," recognizes the OCA and the 2010 MOA. The latter extended the term of the concession for 15 years, or until 2037.

On August 9, 2022, Maynilad formally applied for a 10-year extension of the OCA with the MWSS to be able to provide affordable water to its customers and mitigate anticipated tariff increases. On September 6, 2022 Maynilad provided the MWSS preliminary tariff impact simulations, and highlighted the fiscal benefits of a 10-year extension of the OCA.

In a subsequent letter dated September 14, 2022, Maynilad proposed to the MWSS certain amendments to the RCA, which includes: (a) reinstatement of the Foreign Currency Differential Adjustment mechanism; (b) reinstatement of the full Consumer Price Index Adjustment; and (c) review of the exclusions from the Material Adverse Government Action provision. Such request was made on account of certain events, i.e. the COVID-19 pandemic, the Ukrainian conflict and the significant depreciation of the Peso, which not only posed a challenge to Maynilad's operations but have also highlighted the need to ensure that the concession agreements are future-proof and to guarantee the continuity of service to its customers.

As at April 4, 2023, the RCA is still not effective.

Republic Act No 11600 – Maynilad's Legislative Franchise. Republic Act No. 11600 grants Maynilad, a 25-year franchise to "establish, operate and maintain a waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and Province of Cavite." RA 11600 affirms Maynilad's authority to provide waterworks system and sewerage and sanitation services in the West Zone Service Area of Metro Manila and the Province of Cavite.

RA 11600 took effect on January 22, 2022, 15 days after its publication in the Official Gazette on January 7, 2022. The 25-year term will end on January 21, 2047.

Aside from the grant of a 25-year franchise to Maynilad, the other highlights of RA 11600 include the following:

a. The grant of authority to the MWSS, when public interest for affordable water security so requires and upon application by Maynilad, to amend Maynilad's RCA to extend its term (i.e., 2037) to coincide with the term of the franchise. In addition, the RCA shall also act as the Certificate of Public Convenience and Necessity of Maynilad for the operation of its waterworks and sewerage system. It also provides that in the event the waterworks and sewerage system assets of MWSS pertaining to the Franchise Area are privatized by law, Maynilad shall have the right to match the highest compliant bid after a public bidding. The RCA between MWSS and Maynilad shall remain valid unless otherwise terminated pursuant to the terms of the RCA, or invalidated when national security, national emergency or public interest so requires;

b. The prohibition on the passing on of corporate income tax to customers;

c. The requirement to publicly list at least 30% of Maynilad's outstanding capital stock within five years from the grant of the franchise;

d. The completion of Maynilad's water and sewerage projects to attain 100% coverage by 2037, which shall include periodic five-year completion targets; and

e. The grant to Maynilad of the right of eminent domain insofar as it is may be reasonably necessary for the efficient establishment, improvement, upgrading, rehabilitation, maintenance and operation of the services, subject to the limitations and procedures under the law.

RA 11600 also provides for an equality clause, which grants Maynilad, upon review and approval of Congress, any advantage, favor, privilege, exemption or immunity granted under existing franchises or which may be granted subsequently to water distribution utilities.

On March 21, 2022, the MWSS BOT passed Resolution No. 2022-025-RO, Series of 2022 (the "MWSS Resolution") which deals with the tax implications following the effectivity of the legislative franchise granted to the Water Concessionaires.

The MWSS Resolution confirmed that beginning March 21, 2022, which was when the Water Concessionaires formally accepted the terms of their respective legislative franchises, the charges for water and wastewater services will no longer be subject to the 12% VAT, but will be subject to Other Percentage Tax ("OPT").

The OPT, which shall be reflected as "Government Tax" in the customers' statement of account, consists of (i) the 2% national franchise tax, and (ii) the local franchise tax implemented by the respective local government units ("LGUs") where the Business Area offices of the Water Concessionaires are located.

Philippine Hydro, Inc. ("PHI"). In August 2012, Maynilad acquired a 100% interest in PHI, which engages in water distribution business in certain areas in central and southern Luzon. PHI is granted the sole right to distribute water in these areas under certain concession agreements granted by the Philippine government for 25 years to 2035.

<u>MPW</u>
On August 17, 2011, the Company incorporated MPW to carry on the general business of operating, managing, maintaining and rehabilitating waterworks, sewerage and sanitation systems and services, and to invest, purchase, acquire or own and dispose property of every kind in a corporation engaged in business or activities with the same purpose as MPW.

MPW's subsidiaries include: (i) Metro Iloilo Bulk Water Supply Corporation ("MIBWSC") which holds the concession for the 170 Million Liters per Day ("MLD") Bulk Water Supply Project with the Metro Iloilo Water District ("MIWD"); (ii) Eco-System Technologies International, Inc. ("ESTII"), engaged in the business of designing, supplying, constructing, installing, and operating and maintaining wastewater and sewage treatment plant facilities; (iii) Cagayan De Oro Bulk Water, Inc. ("COBI"), the legal vehicle to carry out the 100 MLD Bulk Water Supply Project with Cagayan De Oro Water District; (iv) Metro Pacific Iloilo Water Inc. ("MILO"), which holds the concession for the rehabilitation, operation, maintenance, and expansion of MIWD's existing water distribution system and provision of sanitation services; and (v) MetroPac Dumaguete Holdings Corporation, an intermediary holding entity to implement the rehabilitation, operation, maintenance, and expansion of Dumaguete City Water District's existing water distribution system and development of wastewater facilities.

MPW also has subsidiaries domiciled outside of the Philippines, namely Metro Pacific Water International Limited ("MPWIL") and Metro Pacific TL Water International Limited. These foreign subsidiaries hold the investments in water companies outside of the Philippines:

- PNW holds the license to develop a water supply system that will meet clean water demand in the Chu Lai Open Economic Zone, and urban areas, industrial zones and adjacent rural areas in Quang Nam province pursuant to a 50-year Build-Own-Operate contract with the Chu Lai Open Economic Zone Authority. MPW's interest in PNW is at 55.41% as at December 31, 2022 and 2021.

- TLW is one of the largest water companies in Vietnam, with 310 MLD of installed capacity and a billed volume of approximately 102 MLD. MPW's interest in TLW as at December 31, 2022 and 2021 is at 49%.

As at December 31, 2022 and 2021, MPW also has interests in the following associates: (i) nil as at December 31, 2022 and 39.0% as at December 31, 2021 in Manila Water Consortium Inc. which has 70.6% economic interest in Cebu Manila Water Development, Inc., concessionaire for the 20-year Water Purchase Agreement with the Metropolitan Cebu Water District; and (ii) 30% in EquiPacific HoldCo Inc., which has 90% stake in Laguna Water District Aquatech Resources Corp., the joint venture company responsible for the financing, rehabilitation, improvement, expansion, operation and maintenance of the Laguna Water District's water supply system.

MPLRC
MPIC holds 65.1% interest in MPLRC as at December 31, 2022 and 2021.

On May 28, 2020, MPIC entered into a SPA with Sumitomo. Pursuant to the SPA, MPIC agreed to sell, and Sumitomo agreed to purchase, the MPLRC common shares representing MPIC's approximate 34.9% shareholding in MPLRC, for an aggregate consideration of approximately ₱3.04 billion, payable by Sumitomo in full in cash at Closing. Closing took place simultaneously with the entering into of the SPA on May 28, 2020, as all of the conditions precedent under the SPA had been fulfilled or waived (as the case may be). The Company recognized gain on disposal of MPLRC shares amounting to ₱729.3 million in the parent company statement of comprehensive income for the year ended December 31, 2020.

MPLRC has an aggregate 55% economic interest in LRMC. Accordingly, upon Closing, Sumitomo will become beneficially interested in 19.2% of the issued and outstanding capital stock of LRMC. MPIC's effective interest in LRMC decreased from 55% to approximately 35.8% as a result of the sale of the MPLRC shares.

Sumitomo Corporation is a corporation duly organized and existing under the laws of Japan and having its shares listed on the Tokyo Stock Exchange.

The agreement with Sumitomo also provides for Sumitomo's right to issue a put notice for all the MPLRC shares it owns in the event of a deadlock (following unsuccessful mediation procedures) and in the event of MPIC's default on its obligations under the shareholders' agreement. The exercise price for the put option is determined as a percentage of the fair value of the MPLRC shares (ranging from 87% to 100%) with the fair value determination in accordance with the shareholders' agreement. The contingent put option is accounted and valued as a derivative liability in MPIC's parent company financial statements. Value of the derivative liability is nil as at December 31, 2022 and 2021 with the contingent events assessed to have very low probability of happening.

LRMC signed together with the Department of Transportation and Communications ("DOTC" now "DOTr") and the Light Rail Transit Authority ("LRTA") the 32-year Concession Agreement for the Light Rail Transit Line 1 Cavite Extension and Operations & Maintenance Project ("LRT-1 Project"). On September 12, 2015, LRMC took over the operations and maintenance of LRT-1 from DOTC and LRTA.

In 2016, LRMC signed a 15-year Omnibus Loan and Security Agreement ("OLSA") with various financial institutions (collectively, as "Lenders") amounting to ₱24.0 billion, ₱15.3 billion of which is allocated for the Cavite Extension and ₱8.7 billion for the rehabilitation of the existing LRT-1 system. Cumulative drawn amount from this facility as at December 31, 2022 and 2021 amounted to ₱24,000 million and ₱20,605 million , respectively. The loan has a sponsors' funding commitment wherein for each drawdown until end of the construction period, the sponsors/shareholders shall infuse additional equity or extend debt to LRMC in an amount necessary to meet the debt-to-equity ratio. Additional equity investment of the sponsors shall not exceed ₱15,346 million, of which ₱8,440 million is effectively allocated to MPLRC.

As at April 4, 2023, the rehabilitation of the existing system is substantially complete whereas the construction activities for the LRT-1 Cavite Extension project are in various stages of development with completion rate of 80.9%. Viaduct has been completed and electromechanical works and the construction of the stations are set to begin.

MPH
MPH is a company holding investments in the healthcare segment. As at December 31, 2022, MPH and its subsidiaries, operates the following full-service hospitals:

a. In Metro Manila: Cardinal Santos Medical Center ("CSMC"), Our Lady of Lourdes Hospital ("OLLH"), Asian Hospital, De Los Santos Medical Center, Marikina Valley Medical Center and Dr. Jesus C. Delgado Memorial Hospital. In November 2021, MPH acquired 84.74% of Commonwealth Hospital and Medical Center, which is located in Novaliches, Quezon City.

b. In other parts of the Philippines: Riverside Medical Center in Bacolod, Central Luzon Doctors Hospital in Tarlac, West Metro Medical Center in Zamboanga, Sacred Heart Hospital of Malolos Inc. in Bulacan, Saint Elizabeth Hospital Inc. in General Santos City, Davao Doctors Hospital in Davao and and Manuel J. Santos Hospital in Butuan City. In February 2020, MPH completed the Investment Agreement for a 51% equity interest in Los Baños Doctors Hospital and Medical Center, Incorporated in Laguna. In August 2020, MPH completed the acquisition of a 55% ownership in Ramiro Community Hospital, the leading private hospital in Bohol. In October 2020, MPH acquired *de facto* control over Calamba Medical Center, Inc. with a 29.51% equity interest. In March 2023, MPH acquired Howard Hubbard Memorial Hospital located in South Cotabato, Mindanao, through a business transfer agreement.

c. MPH also has equity stake in the following hospitals: Makati Medical Center and Manila Doctors Hospital.

Issuance of Exchangeable Bond to GIC Private Limited ("GIC"). On July 2, 2014, GIC, through Arran Investment Private Limited ("Arran"), invested ₱3.7 billion for a 14.4% stake in MPH and paid ₱6.5 billion as consideration for an Exchangeable Bond issued by MPIC which can be exchanged, in the future, into 158,137,590 shares of ₱10.0 par value Class A common shares of MPH representing 25.51% ownership interest, subject to certain conditions (the "Arran Exchangeable Bonds"). The Exchangeable Bond is subject to a fixed interest rate applicable per annum which, for the first year shall be equivalent to 0.27% and shall be repriced annually thereafter at a rate to be mutually agreed by MPIC and GIC. Final maturity date of the Exchangeable Bond is on December 31, 2019. With the Exchangeable Bond, GIC is entitled to 39.89% effective ownership interest in MPH.

In 2019, GIC agreed to restructure its current investment in MPH and re-invest alongside the said KKR and Co. ("KKR") subsidiary. The transaction involved the acquisition by KKR of the Exchangeable Bond and Arran's directly owned shares in MPH (see disclosure below).

KKR's investment in MPH. On December 9, 2019, MPIC, together with MPH, completed a series of transactions for the investment and entry of global investment firm KKR, alongside Arran, in and to, MPH. Included in the series of transactions are the following:

i. Buhay Ventures Holdings (PH) Inc. ("Buhay"), a subsidiary of KKR, subscribed to, a mandatorily exchangeable bond, at the principal issue value of ₱30.1 billion (the "Buhay Exchangeable Bond"). The Buhay Exchangeable Bond can be exchanged to 239,932,962 common shares of MPH owned and held by MPIC ("Buhay EB Underlying Shares"). The Buhay EB Underlying Shares represent approximately 15.88% of the issued and outstanding capital stock of MPH, entitled to vote, on a fully-diluted basis. The Buhay Exchangeable Bond's subscription price shall be settled: (i) ₱26,091 million on completion date; (ii) ₱1,602 million one hundred eighty (180) days after the completion date; and (iii) ₱2,404 million on the first anniversary of the completion date. As at December 31, 2019, receivable from Buhay for portion of the subscription price amounted to ₱3,873 million and was fully collected in 2020.

ii. Arran reinvested alongside Buhay. This transaction involved the acquisition by KKR of Arran's Exchangeable Bond and Arran's directly owned shares in MPH. On July 2, 2014, Arran paid ₱6.5 billion as consideration for an Exchangeable Bond issued by MPIC which can be exchanged, in the future, into 158,137,590 shares common shares of MPH (the "Arran Exchangeable Bonds"). The terms of the Arran Exchangeable Bond have been amended to align with the terms of the Buhay Exchangeable Bond.

   Buhay as holder, shall be entitled, among others, to exchange the Exchangeable Bonds (Buhay Exchangeable Bond and Arran Exchangeable Bonds) for all of the underlying shares on the earlier of (i) thirty (30) days after the date the common shares of MPH, including the underlying shares, are first listed on the PSE following its initial public offering of shares and (ii) the date that is 10 years from the issue date of the Exchangeable Bonds ("Mandatory Exchange Date"). Interest applicable to the Exchangeable Bonds shall be equivalent to the actual dividend yield of the underlying shares.

iii. As part of KKR's investment in MPH, MPIC granted in favor of KKR the following options ("Call Options"): (i) an irrevocable option, exercisable after the completion of this transaction, to require MPIC to sell to the Investor (and/or one or more of its designees) all or a portion of MPIC's shares in MetroPac Apollo Holdings, Inc. ("Apollo"); and (ii) an irrevocable option, exercisable after Signing date, to require MPIC to sell to one or more newly established Philippine domestic companies or investment vehicles, each of which is wholly and beneficially owned by Filipino citizens who have relevant expertise and experience beneficial to the business of MPH. Apollo, a Philippine registered company (in which MPIC has 65% ownership as at December 31, 2022 and 2021) owns and holds all the outstanding voting preferred shares issued by MPH.

   The fair value of the call options was estimated at the Call Option Agreement date using a binomial pricing model, taking into account the terms and conditions on which the options were granted. The exercise price is calculated based on the formula set forth in the Call Option Agreement. The Call Options can be exercised anytime up to ten years. As at

December 31, 2022 and 2021, fair value of the Call Options is estimated at ₱6.0 million and ₱44 million, respectively.

As discussed in Note 3, the abovementioned series of transactions which provided Buhay economic interest of approximately 80%, on fully diluted basis post conversion of the Exchangeable Bonds, was accounted for as an equity transaction. The Exchangeable Bond is an instrument that, at a certain time in the future, converts into a fixed number of shares of MPH. Moreover, the principal of Exchangeable Bond is in Philippine Peso, the same currency as the functional currency of MPIC as the issuing entity. Thus, the Exchangeable Bonds qualify as equity instruments such that the proceeds from the Exchangeable Bond together with the share subscriptions in MPH, were accounted for as a single equity transaction.

The provisions included estimated tax warranties and indemnities. As at December 31, 2022 and 2021, provisions for this specific transaction amounted to ₱2,194.0 million and ₱2,364.8 million, respectively.

While the gain on dilution of interest in MPH was recognized for accounting purposes for the year ended December 31, 2019, the taxable gain shall be recognized upon actual conversion of the Exchangeable Bond, hence the recognition of the deferred tax expense (see Note 16).

MPLC

On September 1, 2015, MPLC was incorporated with the primary purpose of engaging in the business of logistics services relating to products, commodities, articles, and goods, including but not limited to, storage, warehousing, warehouse and inventory management, transport and delivery.

MPLC's subsidiaries include MetroPac Movers Inc. ("MMI") and LogisticsPro, Inc.

Considering the changing landscape in the Logistics space driven by the pace of digitalization in e-commerce and rapidly evolving end-to-end consumer behavior, MMI has reassessed its priorities to direct its focus on areas where it can best serve the needs and demands of the market. As such, it has decided to discontinue investments in capital intensive, large-scale warehousing including the previously announced Sta. Rosa logistics hub. This decision is also in line with the ongoing recalibration of capital allocation plans at the MPIC parent level. MMI has ceased warehousing operations as of December 31, 2021. This discontinuation of its existing business triggered an impairment testing of the Company's investment in MPLC. Using the revised equity value of MPLC considering its remaining assets and liabilities, provision for decline in value covering the investment in MPLC amounting to ₱427.5 million and ₱2,986.6 million were recognized in 2022 and 2021, respectively, as part of "Provision for impairment of assets" under "Other expenses - net" in the parent company statement of comprehensive income (see Note 15).

MMI has established that continuing to operate its existing business at the current economic and business conditions is no longer viable and the operations of these companies are not any more sustainable. Winding down activities including, but not limited to, termination of contracts with clients, suppliers, lessors and subcontractors, retirement of business permit and other special licenses, termination of employees, and other corporate clean-ups have been completed by April 2022.

MVPHI

MVPHI was incorporated in the Philippines and registered with the Philippine SEC on March 10, 2017. On November 19, 2018, MVPHI, through its subsidiary, Surallah Biogas Ventures Corp., finalized and signed the Substrate Conversion Agreements ("Dole SCA") with Dole Philippines, Inc. ("DPI") to design, construct, and operate biogas facilities specifically for DPI (the "Biogas Project").

The Project involves establishing integrated waste-to-energy ("WTE") facilities to primarily address the waste disposal concerns of DPI and to use the derived biogas from the processing of the fruit waste to supply a portion of the diesel and power requirements of the canneries of DPI in Surallah and Polomok, both located in South Cotabato. The integrated WTE facility, consisting of a biogas plant and an embedded power generation facility shall be established, owned and operated by a special purpose company within the facilities of the end-user. On July 1, 2022, both facilities have been commissioned and have achieved full commercial operations.

Subscription payable to MVPHI amounted to ₱8.2 million as at December 31, 2022 and 2021 (see Note 9).

<u>MPAV</u>
In April 2022, MPIC incorporated MPAV as a holding company for its food and agriculture projects.

On June 27, 2022, MPIC entered into an Investment Framework Agreement (the "TLCI Agreement") with Carmen's Best Dairy Products, Inc., Carmen's Best International Dairy Company, Inc., Real Fresh Dairy Farms, Inc., TLCI, RMJ Development Corporation, and certain individual shareholders (collectively, the "Carmen's Best Group"). Under the TLCI Agreement, MPIC will acquire a total of 517,803 common shares, representing approximately 51% of the outstanding shares of TLCI, for a total consideration of ₱198 million. The acquisition will be implemented through a combination of secondary shares acquired from certain shareholders of TLCI and primary shares that will be issued by TLCI to MPIC or an affiliate designated by MPIC, after the satisfaction of the conditions precedent to the transaction including the procurement of regulatory and third-party approvals, the increase in authorized capital stock of TLCI and the consolidation of the assets and business of the Carmen's Best Group in TLCI. After the transaction, TLCI will become a subsidiary of MPIC. The transaction is being carried out pursuant to MPIC's plan to diversify its investment portfolio to include the agricultural sector.

The Carmen's Best Group is behind the Philippine-grown premium ice cream brand, Carmen's Best Ice Cream, and the country's only locally pasteurized and homogenized fresh milk, Holly's Milk. It operates a dairy farm where it also produces artisanal cheese under the Carmen's Best Natural Cheese and Holly's brands. Conditions precedent to the acquisition have not been achieved as of April 4, 2023.

Subscription payable to MPAV amounted to ₱50.0 million and nil as at December 31, 2022 and 2021, respectively (see Note 9).

<u>MPRRC</u>
In March 2017, the consortium consisting of MPIC, Covanta Energy, LLC and Macquarie Group, Ltd. was granted Original Proponent Status by the Quezon City Local Government Unit ("QC LGU") to design, construct, finance, and operate an Integrated Solid Waste Management Facility Project ("ISWM Project"). The ISWM facility will be capable of processing and converting up to 3,000 metric tons per day of Quezon City's municipal solid waste into 36 MW (net) of renewable energy, enough to power between 60,000 to 90,000 homes. The ISWM Project will be undertaken through a Joint Venture between QC LGU and the consortium in accordance with QC LGU Ordinance: No. SP-2336, s. 2014 ("QC PPP Code").

MPIC intends for MPRRC to be the holding company for its investment in the ISWM Project and similar undertakings.

As at April 4, 2023, the Company is waiting for the issuance of the Notice of Award from the Quezon City Government.

Subscription payable to MPRRC amounted to ₱19.1 million and nil as at December 31, 2022 and 2021, respectively (see Note 9).

FCHI

On March 23, 2012, the Company incorporated FCHI which main activity is to hold shares of stocks of companies, condominium units and other properties purely for investment purposes only. FCHI acquires real estate properties which are used to house or accommodate consultants and other guests of the Company, its affiliates, subsidiaries and other related companies.

Metro Vantage

In October 2018, MPIC incorporated Metro Vantage as a holding company for its real estate, hospitality and tourism projects.

MPHTC

On June 4, 2020, the Company incorporated MPHTC (which is doing business under the name of "mWell PH") with the primary purpose of developing, designing and managing a mobile health application for personal management of health and well-being.

Subscription payable to MPHTC amounting to ₱379.1 million as at December 31, 2020 were paid in 2021 (see Note 9).

Landco

Landco is primarily engaged in all aspects of real estate business which includes real estate consultancy encompassing project management and business planning services; dealing in and disposing of all kinds of real estate projects involving commercial, industrial, urban, residential or other kinds of real property; construction, management, operation and leasing tenements of the corporation or other persons; and acting as real estate broker on a commission basis.

With the impact of COVID-19 on the real estate, hospitality and tourism industries, additional allowance in decline in value with respect to various interests in Landco of ₱1,403.2 million was recognized in 2020. The impairment loss comprised of write-down of the following assets: (i) advances to Landco amounting to ₱1,043.4 million; and (ii) receivables from AB Holdings Corporation ("ABHC"; a shareholder in Landco) amounting to ₱359.8 million included under the "Other noncurrent assets" account.

Additional advances of ₱900 million were made to Landco in 2021. With its record-breaking sales in 2021, management believes that the advances made to date are fully recoverable.

On March 31, 2022, MPIC entered into deeds of absolute sale of shares for the acquisition of a total of 6,354,634 common shares, representing an aggregate of 61.9% of the issued and outstanding capital stock of Landco, for a total consideration of ₱429 million with the following sellers: (a) ABHC owning 6,252,011 shares; and (b) individual shareholders owning a total of 102,623 shares. As a result of the transaction, Landco became a wholly owned subsidiary of MPIC. The total consideration amounting to ₱429 million was offset against the existing receivables of MPIC from Landco and ABHC. The parties' existing obligations were settled upon closing.

AFPI
AFPI was granted the rights and obligations to design, finance, construct, operate, and maintain the Automated Fare Collection System ("AFCS") Project for LRT-1, LRT-2, and Metro Railway Transit Line 3 ("MRT-3"). The AFCS Project accommodates a contactless smartcard technology for stored value ridership and contactless medium technology for single journey ridership. This system shall be expandable to allow the inclusion of accepted participants and issuers into a generic micropayment solution fulfilling other commercial functions. AFPI had its Full System Acceptance ("FSA") on December 16, 2015. Unless otherwise extended or terminated in accordance with the Service Concession Agreement, the concession period shall commence on FSA date and end ten years from the FSA date.

In 2022 and 2021, the Company recognized its share in AFPI's committed capital calls. Management believes that considering the Service Concession Agreement will expire in 2025, the Company will not be able to recover its investments in AFPI. In light of this, MPIC recognized additional allowance for decline in value of investment amounting to ₱218.0 million and ₱60.0 million in 2022 and 2021, respectively (see Note 15).

Indra Phils.
On October 14, 2015, MPIC acquired from MERALCO 84,012 common shares, comprising 24.95% of the outstanding capital stock of Indra Phils. for an aggregate purchase price of ₱326.5 million. Indra Phils. is one of the leading provider of information technology solutions to various businesses and industries in the Philippines, with engagements in utilities and telecommunications, financial services and public administration.

KM Infra
On December 9, 2020, MPIC and Keppel Infrastructure Fund Management Pte. Ltd. [in its capacity as trustee-manager of Keppel Infrastructure Trust ("KIT")] entered into a sale and purchase agreement with Macquarie Infrastructure Holdings (Philippines) Pte. Limited, Government Service Insurance System and Langoer Investments Holding B.V. for the acquisition of 100% of the total issued capital stock of Philippine Tank Storage International Holdings, Inc. ("PTSI").

On January 29, 2021, MPIC and Keppel Infrastructure Fund Management Pte. Ltd. (in its capacity as trustee-manager of KIT) completed the acquisition of 100% of the total issued capital stock of PTSI (the "Transaction Completion"). The shares of PTSI were indirectly acquired by MPIC and KIT through a Philippine holding company, KM Infra, which, at the time of the Transaction Completion, was 80% owned by Bay Philippines Holdings Corporation ("Bay PH") (a 100% indirect subsidiary of KIT) and 20% owned by MPIC.

On the same day after the Transaction Completion, Bay PH and MPIC entered into a Deed of Sale whereby KIT agreed to sell to MPIC approximately 30% of the outstanding shares of KM Infra, ("KM Sale Transaction"). As a result of the KM Sale Transaction, MPIC's total shareholding in KM Infra increased to approximately 50% of its total outstanding capital stock.

In addition to the payment of the purchase price for the additional 30% stake, MPIC also agreed to reimburse KIT for transaction costs and expenses relating to the 30% interest that it agreed to sell to MPIC.

MPIC and KIT also entered into a shareholders' agreement to govern their relationship in managing KM Infra and its subsidiaries, containing, among others, customary governance provisions, transfer provisions and deadlock resolution mechanisms. The Company accounted for its investment in KM Infra under the equity method of accounting as a jointly-controlled entity. Total acquisition cost for the 50% effective ownership in PTSI amounted to ₱7.1 billion (including transaction costs).

PTSI wholly owns PCSPC. Strategically located in the Subic Bay Freeport Zone, PCSPC is the largest petroleum product import terminal in the Philippines with a storage capacity of approximately 6.0 million barrels. The 150-hectare facility comprises of 86 storage tanks, two piers and a pipeline infrastructure connecting the entire facility. Due to its location, PCSPC provides clients with a well-connected distribution hub to the largest economic catchment area – Metro Manila and North Luzon.

As at December 31, 2020, prior to the Transaction Completion, KM Infra, Razor Crest Storage Infrastructure Holdings Corporation (“Razor”), and Hyperion Storage Holdings Corporation (“Hyperion”) were all directly wholly owned entities by MPIC). These entities were all incorporated for the purpose of investing into PTSI and PCSPC. After the restructuring and by the date of KM Sale Transaction, MPIC’s stake in KM Infra was reduced to 50% and became a jointly controlled entity by MPIC and KIT. KM Infra owns 100% of Razor, while Razor owns 100% of Hyperion. Hyperion in turn owns 100% of PTSI.

In 2022, as PCSPC’s revenues have underperformed targets for the past two years. This triggered an impairment review of the Company’s investment in KM Infra. Total impairment recognized by the Company amounted to ₱3,196.4 million (see Note 15).

<u>Entities under liquidation</u>

- *NOHI.* NOHI became a subsidiary of the Company in 2006 as a result of shares swap between MPHI, Metro Pacific Resources, Inc. (“MPRI”), Intalink B.V. and FPIL. NOHI was engaged in the business of real estate investments and property development, investment holding and management services. On July 18, 2012, the BOD of NOHI approved the shortening of the corporate life of NOHI to until December 31, 2013. After expiration of NOHI’s corporate life on December 31, 2013, NOHI proceeded immediately to the liquidation phase, which shall take place over the succeeding three years or until the liquidation process is complete and all the Company’s remaining assets have been disposed of and the proceeds divided accordingly among all those with remaining interest in the company, under the management and supervision of an appointed liquidator. NOHI holds investments in properties that have high market values based on latest appraisal and valuation report. As at April 4, 2023, clearance from the local government unit was already obtained while clearance from the Bureau of Internal Revenue (“BIR”) is still being processed.

- *FGNEC.* FGNEC participated in the bidding for the proposed sale of the 246 MW Angat Hydroelectric Power Plant but was only declared as the second ranking bidder. On July 22, 2015, the BOD of FGNEC approved the shortening of the corporate life of FGNEC to until December 31, 2016. Investment in FGNEC amounted to ₱0.3 million as at December 31, 2022 and 2021. As at April 4, 2023, FGNEC is awaiting tax clearance for closure of business.

- *Porrovia.* Porrovia’s shareholders are MPIC (50%) and MPLRC (50%). On February 1, 2018, Porrovia’s BODs resolved to amend and approve article four of the Articles of Incorporation (“AOI”) by providing that the term for which Porrovia is to exist is from the date of issuance of certificate of incorporation until March 31, 2019. The amended AOI reflecting the shortening of the Company’s corporate life to until March 31, 2019 was approved by SEC on March 23, 2018. As at April 4, 2023, clearance from the local government unit was already obtained while clearance from BIR is still being processed.

- *MGGW.* On July 29, 2016, the Company’s BOD resolved to amend article four of the AOI by providing that the term for which MGGW is to exist is from the date of issuance of certificate of incorporation until December 31, 2017. During the Special Meeting of the Stockholders held on September 19, 2016, the stockholders approved the amendment. The amended AOI reflecting the shortening of the Company's corporate life to until December 31, 2017 was approved by the SEC on December 29, 2016. As at April 4, 2023, clearance from the local government unit already obtained while clearance from BIR is still being processed.

Equity Instruments at FVOCI

FWD Group Holdings Limited ("FWD"). On November 23, 2021, FWD Group Holdings Limited ("FWD"), a fast-growing and leading pan-Asian life insurer, publicly filed a draft registration statement with the U. S. Securities and Exchange Commission in connection with an initial public offering of American Depositary Shares representing its ordinary shares. It subsequently switched its listing venue to Hong Kong from the U.S. On December 13, 2021, the Company and FWD have agreed to implement the issue and subscription of ordinary shares with a total cost of US$ 10 million (₱503.5 million) as a pre-IPO investment prior to the completion of its offering. The Company classified this investment as equity instruments at FVOCI which is included under "Other noncurrent assets" account. As at April 4, 2023, the process of filing its application for public listing is still on-going.

PLDT Global Investments Corporation ("PGIC"). In April 2022, MPIC invested USD$56.5 million (₱3.0 billion) to PGIC in exchange for preference shares. PGIC is a company incorporated in the British Virgin Islands. The Company classified this investment as equity instruments at FVOCI which is included under "Other noncurrent assets" account.

8. Property and Equipment and Software Costs

Property and Equipment. The account consists of:

	January 1, 2022	Additions/ Depreciation	Disposals	Reclass	December 31, 2022
			(In Millions)		
Cost:					
Transportation equipment	₱93	₱13	(₱14)	₱–	₱92
Leasehold improvements	18	65	–	1	84
Office equipment	7	14	–	–	21
Computer equipment	41	1	(1)	–	41
Furniture and fixtures	6	6	–	–	12
Right-of-use assets (ROU assets)	63	93	(63)	–	93
Construction in progress	1	–	–	(1)	–
	229	192	(78)	–	343
Less accumulated depreciation:					
Transportation equipment	41	15	(11)	–	45
Leasehold improvements	14	8	–	–	22
Office equipment	6	1	–	–	7
Computer equipment	31	5	(1)	–	35
Furniture and fixtures	6	1	–	–	6
Right-of-use asset	43	21	(47)	–	17
	141	51	(59)	–	132
	₱88	₱141	(₱19)	₱–	₱211

	January 1, 2021	Additions/ Depreciation	Disposals	December 31, 2021
		(In Millions)		
Cost:				
Transportation equipment	₱84	₱53	(₱44)	₱93
Leasehold improvements	17	1	–	18
Office equipment	7	–	–	7
Computer equipment	40	2	(1)	41
Furniture and fixtures	6	–	–	6
Right-of-use assets (ROU assets)	63	–	–	63
Construction in progress	–	1	–	1
	217	57	(45)	229
Less accumulated depreciation:				
Transportation equipment	48	14	(22)	40
Leasehold improvements	12	3	–	15
Office equipment	6	–	–	6
Computer equipment	27	5	(1)	31
Furniture and fixtures	5	1	–	6
Right-of-use asset	29	14	–	43
	127	37	(23)	141
	₱90	₱20	(₱22)	₱88

The Company's property and equipment are depreciated over a period of two to five years computed on a straight-line basis or for leasehold improvements and ROU assets, over the term of the lease, whichever is shorter.

ROU assets, which include lease of office space were initially measured at the amount of the lease liability. Outstanding balance of lease liabilities as at December 31, 2022 and 2021 amounted to ₱77.2 million and ₱22.5 million, respectively (see Notes 9 and 22). For the years ended December 31, 2022 and 2021, depreciation charge relating to ROU assets recognized under "Operating expenses" amounted to ₱21.1 million and ₱14.1 million, respectively (see Notes 8 and 13). Interest accretion on lease liability amounted to ₱4.4 million and ₱1.9 million in 2022 and 2021, respectively (see Notes 15 and 22). Rental expenses relating to short-term and low value assets amounted to ₱2.6 million and ₱1.0 million recognized under "Operating expenses" for the years ended December 31, 2022 and 2021, respectively (see Note 13 and 22).

The cost of fully depreciated property and equipment still in use as at December 31, 2022 and 2021 amounted to ₱58.2 million and ₱46.4 million, respectively.

Software Cost. Software cost represents costs of the Company's accounting and reporting system with estimated useful life of 5 years as follows:

	January 1, 2021	Additions/ Amortization	Write off	**December 31, 2021**	**Additions/ Amortization**	**Write off**	**December 31, 2022**
				(In Millions)			
Cost	₱112	₱10	(₱10)	**₱112**	**₱–**	**₱–**	**₱112**
Less accumulated amortization	103	4	(1)	**106**	**3**	–	**109**
	₱9	₱6	(₱9)	**₱6**	**₱3**	**₱–**	**₱3**

The cost of fully amortized software still in use as at December 31, 2022 and 2021 amounted to ₱97.7 million.

Property and equipment and software costs are reported under "Other noncurrent assets" in the parent company statements of financial position.

9. Accrued Expenses and Other Current Liabilities

This account consists of:

	2022	2021
	(In Millions)	
Accrued expenses		
Professional fees	**₱479**	₱110
Personnel costs	**372**	365
Fringe benefit tax	**99**	87
Others (see Note 6)	**634**	690
LTIP payable (Note 14)	**868**	–
Interest payable	**660**	554
Subscription payable (see Note 7)	**77**	32
Accounts payable	**124**	218
Statutory payables	**51**	61
Lease liabilities (see Note 22)	**7**	6
Option liability (see Note 7)	**6**	44
	₱3,377	₱2,167

Other current liabilities include statutory payables which represent government remittances pertaining to VAT payable, expanded withholding taxes and contributions to Social Security System, Philippine Health Insurance Corporation and Home Development Mutual Fund.

10. Long-term Debt

MPIC's long-term debt as at December 31 comprises of the following:

	2022	2021
	(In Millions)	
Peso-denominated bank loans	**₱74,770**	₱77,485
USD-denominated bank loans	**7,248**	6,630
	82,018	84,115
Less unamortized debt issue costs	**514**	608
	81,504	83,507
Less current portion of long-term debt (net of unamortized debt issue costs of ₱93.9 million and ₱92.5 million as at December 31, 2022 and 2021, respectively)	**5,021**	3,631
Noncurrent portion of long-term debt	**₱76,483**	₱79,876

The unamortized debt issue costs incurred in connection with the availment of long-term debt were deducted against the long-term debt. The movements in debt issue costs in 2022 and 2021 are as follows:

	2022	2021
	(In Millions)	
Balance at beginning of year	**₱608**	₱559
Debt issue costs incurred during the year	**38**	137
Amortization during the year (see Note 15)	**(94)**	(88)
Derecognition of debt issue cost	**(38)**	–
Balance at end of year	**₱514**	₱608

In January 2021, MPIC entered into an agreement to secure a five-year loan facility amounting to US$130 million, bearing a variable interest rate. The proceeds of the loan were used by MPIC to partially finance its investments. The facility has been fully drawn as at December 31, 2022 and 2021.

As part of its rate reduction initiatives and as provided for in its loan agreements, MPIC was able to negotiate the re-rating of its borrowing cost on the following loans. The repricing did not constitute a substantial modification of the loans and only the effective interest rates were recalculated.

- ₱5 billion term facility agreement with BDO Unibank, Inc. ("BDO") – from 8.59% to 4.70% effective November 29, 2020
- ₱10 billion term facility agreement with Bank of the Philippine Islands – from 6.13% to 4.60% effective June 29, 2021
- ₱6.5 billion term facility agreement with China Banking Corporation – from 6.10% to 5.05% effective June 30, 2021
- ₱10 billion term facility agreement with BDO Unibank, Inc. – from 5.79% to 4.61% effective July 29, 2021
- ₱7.0 billion syndicated term facility agreement with BDO Unibank, Inc., China Banking Corporation, and Philippine Savings Bank – from 7.23% to 4.83% effective September 29, 2021

The Company's borrowings were effectively at fixed rates ranging from 3.4% to 6.7% as at December 31, 2022 and 4.5% to 8.4% as at December 31, 2021. Certain of the Company's loans that bear a fixed rate for the first five years are subject to an interest rate repricing on the fifth year (see Note 20, *Interest Rate Risk*).

Total interest expenses, excluding amortization of debt issue costs, recognized in 2022 and 2021 amounted to ₱4.3 billion and ₱4.5 billion, respectively (see Note 15).

The Company has not made any pledges as collateral with respect to the long-term debt as of December 31, 2022 and 2021. The repayments of loans based on existing terms are provided in Note 20.

Further, MPIC does not guarantee the borrowings of its investee companies but there are standard cross-default and cross-acceleration provisions in its loan agreements.

MPIC's Term Loan Agreement. On April 5, 2022, the Company entered into a 10-year term loan agreement with a local bank amounting to ₱5.0 billion. This was used by the Company to partially finance its investments in various projects and for general corporate purposes.

Prepayment of Loan. In May, July and August 2022, MPIC prepaid some of its Corporate Notes Facility with an outstanding balance of ₱4.3 billion, prior to repayment. Prepayment penalties and other related costs (including derecognition of unamortized debt issue costs) were recognized under "Others" in the parent company statement of comprehensive income (see Note 15).

Interest Rate Swap. The Parent Company has a $130 million Facility Agreement with Mizuho Bank, Ltd. Singapore Branch ("Mizuho") dated January 14, 2021 which matures on January 14, 2026. Proceeds of the Loan was used for the acquisition of 50% effective share in KM Infra. The facility is a floating-rate loan with interest computed based on 6-month USD LIBOR + 2.25% margin.

In view of the uptrend in interest rate environment and expected rise in forward rates, the MPIC BOD on May 28, 2022 authorized MPIC to enter into and perform its obligations under one or more derivative transactions with Mizuho.

Management has entered into an Interest Rate Swap Agreement with Mizuho on July 25, 2022, with January 24, 2023 as effective date. The Interest Rate Swap Agreement will also mature on January 14, 2026. In addition, on November 17, 2022, MPIC entered into an amendment agreement with Mizuho relating to its facility agreement dated January 14, 2021. One of the salient amendments was on the benchmark to be used in setting the applicable floating rate for the Loan. This is in view of the impending discontinuance of LIBOR as an applicable interest rate benchmark. Under the amended agreement, the interest rate beginning January 25, 2023 will be based on Cumulative Compounded RFR Rate plus 1.45% Margin. The change will coincide with the effectivity of the Interest Rate Swap.

MPIC recognized a derivative asset at fair value amounting to ₱210 million in relation to this interest rate swap, booked under other noncurrent assets. The ineffective portion of the cash flow hedge amounting to ₱45 million was recognized under "Other income (expenses)".

Covenants. These loans contain, among others, covenants regarding maintenance of reserve account and achieving certain financial ratios such as (1) debt-to-equity ratio not to exceed 70:30; and (2) debt-service coverage ratio ("DSCR"). These loans contain a negative pledge on all existing and future assets of MPIC. Certain loan facilities were identified to have embedded derivatives such as prepayment options and interest rate floors. These embedded derivatives, however, are not required to be bifurcated from the host loan since: (1) the exercise price of the prepayment option approximates the carrying amount of the loan at each exercise date; and (2) interest rate floor is out of the money, hence, identified embedded derivatives are clearly and closely related to the host loan.

As at December 31, 2022 and 2021, MPIC has complied with all of its debt covenants.

11. **Related Party Transactions**

Enterprises and individuals that directly or indirectly, through one or more intermediaries, control the Company, or which are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close family members of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form. All related party transactions are fair and at arm's length.

The following table summarizes the total amount of transactions with related parties for the relevant years:

	Relationship		Backoffice services fees (see Note 15)	Dividend Income (see Note 7)	Communication, light and water and Rent (see Note 13)	Donations and Contributions (see Note 13)	Total
					(In Millions)		
MWHC	Subsidiary	**2022**	**₱–**	**₱1,432**	**₱–**	**₱–**	**₱1,433**
		2021	–	1,433	–	–	1,433
Maynilad	Subsidiary	**2022**	**–**	**157**	**–**	**–**	**157**
		2021	–	156	–	–	156
MPTC	Subsidiary	**2022**	**–**	**2,009**	**–**	**–**	**2,009**
		2021	–	1,853	–	–	1,853
Beacon Electric	Subsidiary	**2022**	**–**	**7,898**	**–**	**–**	**7,898**
		2021	–	15,437	–	–	15,437
MERALCO	Associate	**2022**	**–**	**2,029**	**–**	**–**	**2,029**
		2021	–	1,525	–	–	1,525
Indra Phils.	Associate	**2022**	**–**	**100**	**–**	**–**	**100**
		2021	–	24	–	–	24
KM Infrastructure	Associate	**2022**	–	**115**	–	–	**115**
		2021	–	–	–	–	–
MPH	Associate	**2022**	**3**	**–**	**–**	**–**	**3**
		2021	5	–	–	–	5
SBVC	Subsidiary	**2022**	**1**	**–**	**–**	**–**	**1**
		2021	1	–	–	–	1
MPLRC	Subsidiary	**2022**	–	–	–	–	–
		2021	–	–	–	–	–
SAVVICE Corporation formerly known as Southbend Express Services. Inc. Manpower Services	Subsidiary	**2022**	**–**	**–**	**3**	**–**	**3**
		2021	–	–	2	–	2
PLDT	Associate of FPC	**2022**	**–**	**–**	**13**	–	**13**
		2021	–	–	4	–	4
Metro Pacific Investments Foundation, Inc. (MPIF)	Affiliate*	**2022**	**–**	**–**	**–**	**55**	**55**
		2021	–	–	–	14	14
		2022	**₱4**	**₱13,740**	**₱16**	**₱55**	**₱13,815**
		2021	₱6	₱20,428	6	₱14	₱20,454

** Affiliates are companies under common control or management.*

The Company provides back-office functions to its subsidiaries covered by a management agreement. Management fees are non-interest bearing, unsecured, requires cash settlement, and are not impaired. The Company, in the normal course of business, has advances with related parties. Advances are due and demandable, non-interest bearing, unsecured and requires cash settlement. Due from related parties as at December 31, 2022 and 2021 are fully collectible. No impairment loss was recognized in 2022 and 2021.

Outstanding balances as at December 31 are carried in the parent company statements of financial position under the accounts listed below.

		Due from related parties		Due to related parties	
	Nature of Transaction	**2022**	2021	**2022**	2021
			(In Millions)		
Subsidiaries					
Metro Pacific Tollways South Management Corporation	Advances	**₱3**	₱12	**–**	₱–
MLCI	Advances	**9**	9	**–**	–
MPTC	Advances	**29**	–	**–**	–
LRMC	Advances	–	–	**–**	–
Maynilad	Advances	**20**	–	**–**	–
SBVC	Advances	**1**	–	**–**	–
Metro Vantage	Advances	–	–	**–**	–
MMI	Service fees	–	–	**–**	–
MPHTC	Advances	–	–	**–**	–
MPLRC	Advances	–	–	**–**	–
Porrovia	Advances	–	–	**10**	10
SAVVICE Corporation	Contractual services	–	–	**–**	–
MPW	Advances	**1**	–	**–**	–
MVPHI	Advances	**2**	–	**–**	–

(Forward)

	Nature of Transaction	Due from related parties 2022	Due from related parties 2021	Due to related parties 2022	Due to related parties 2021
Associates					
MPH	Service fees and advances	**₱3**	₱2	**₱–**	₱–
MERALCO	Advances	**9**	–	**–**	–
*Other related parties**					
FPC	Advances	**1**	1	**–**	–
PLDT Inc	Outside services		–	**1**	–
PLDT Communications and Energy Ventures, Inc. ("PCEV")	Payable	**–**	–	**–**	–
Others	Advances	**1**	1	**6**	1
		79	25	**17**	11
Less current portion		79	25	–	11
		₱–	₱–	**₱17**	₱–

**Other related parties are affiliates through FPC.*

PCEV
Due to PCEV as at December 31, 2020 represents the present value of the outstanding amount for the purchase price of Beacon Electric shares acquired in May 2016 and June 2017. On May 30, 2016, MPIC acquired from PCEV 645,756,250 common shares and 458,370,086 preferred shares of Beacon Electric for the total consideration of ₱26.2 billion. Of the total consideration of ₱26.2 billion, ₱17.0 billion was settled immediately while the remaining payable to PCEV shall be paid as follows: (a) ₱2.0 billion in June 2017, (b) ₱2.0 billion in June 2018, (c) ₱2.0 billion in June 2019, and (d) ₱3.2 billion in June 2020. The outstanding balance as at December 31, 2019 amounting to ₱3.2 billion (at nominal amount) was fully settled in June 2020.

On June 13, 2017, MPIC entered into a Share Purchase Agreement with PCEV for the purchase of PCEV's 25% remaining interest in Beacon Electric for a total purchase price of ₱21.8 billion, ₱12.0 billion was settled immediately while the remaining payable to PCEV shall be settled equally over the next four years beginning June 30, 2018. The outstanding balance as at December 31, 2020 amounted to ₱2.4 billion (at nominal amounts) which was fully settled in June 2021.

Upon full settlement of the consideration, MPIC acquired all voting rights over these shares.

MPIF
MPIF is a private nonstock, nonprofit corporation established in the Philippines on April 21, 2009 to support projects, programs and activities for the improvement of community welfare, social education and public health through giving of grants to educational institutions for the establishment of student grants and loan funds, supporting disaster relief rehabilitation programs and activities, and conducting/sponsoring scientific/technical research and development activities for social and economic upliftment. MPIF is the corporate foundation of MPIC.

In October 2018, MPIF obtained its certificate of registration from the Department of Social Welfare and Development. MPIF's renewal of certificate of registration was issued on January 27, 2022 while its license to operate shall be valid for three (3) years covering the period from February 22, 2022 to February 23, 2025. On September 27, 2019, BIR issued certificate of tax exemption to MPIF under Section 30(e) of the National Internal Revenue Code of 1997, as amended. On December 9, 2020, the Foundation was duly accredited by the Board of Trustees of Philippine Council for Non-Governmental Organization Certification ("PCNC"). The PCNC certification was originally valid for one year until December 8, 2021 and was renewed and effective until February 22, 2025. As of March 27, 2022, BIR approved MPIF's application for renewal and granted MPIF's Donee Status, valid until February 22, 2025.

MPIC made contributions to MPIF amounting to ₱55 million and ₱14.5 million in 2022 and 2021, respectively.

Philippine Long Distance Telephone Company Inc. ("PLDT")
PLDT is one of the largest and most diversified telecommunications company in the Philippines which delivers data and multi-media services nationwide. Services rendered by PLDT substantially pertains to rent, utilities (such as telecommunications and internet services) and other services. Arrangement with PLDT for lease of office space was scoped in under PFRS 16 with recognition of ROU asset and Lease liability. The rent payments made in 2022 and 2021 amounting to ₱8.4 million and ₱16.2 million, respectively, were accounted for as reduction in lease liability. In July 2022, the Company has formally terminated its lease contract of office space with PLDT.

Others
Other transactions with related parties are mainly advances to finance various projects as well as intercompany charges for share in certain operating and administrative advances. These intercompany accounts are non-interest bearing and due and demandable.

Compensation of Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. Compensation and benefits of the Company's key management personnel for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
	(In Millions)	
Short-term employee benefits	**₱294**	₱306
LTIP expense (see Notes 13 and 14)	**256**	12
Post-employment benefits – Retirement cost (see Notes 13 and 14)	**26**	15
Share grant expense	**32**	–
Other employee benefits*	**57**	6
	₱665	₱339

**Other employee benefits included severance pay of retired key management personnel.*

Directors' Remuneration
Annual remuneration of the directors amounted to ₱7.7 million and ₱7.5 million for the years ended December 31, 2022 and 2021, respectively (see Note 13).

Non-executive directors are entitled to a per diem allowance of ₱100,000 for each attendance in the Company's Board meetings and ₱50,000 for each attendance in the Company's Committee meetings. The Company's By-Laws provide that an amount equivalent to 1.0% of net profit after tax of the Company shall be allocated and distributed among the directors of the Company who are not officers of the Company or its subsidiaries and affiliates, in such manner as the BOD may deem proper. No accrual was made with respect to this scheme as at December 31, 2022 and 2021 in the absence of resolution from the BOD. There are no other special arrangements pursuant to which any director will be compensated.

12. **Equity**

Details of authorized and issued capital stock follow:

	2022		2021	
	No. of Shares	**Amount**	No. of Shares	Amount
	(In Millions except for number of shares and stockholders)			
Authorized common shares – ₱1.00 par value	**38,500,000,000**	**₱38,500**	38,500,000,000	₱38,500
Authorized preferred shares:				
Class A – ₱0.01 par value	**20,000,000,000**	**200**	20,000,000,000	200
Class B – ₱1.00 par value	**1,350,000,000**	**1,350**	1,350,000,000	1,350
Balance at December 31	**59,850,000,000**	**₱40,050**	59,850,000,000	₱40,050
Issued and Outstanding – common shares:				
Issued – common shares	**31,569,338,752**	**₱31,570**	31,569,338,752	₱31,570
Less: Treasury Shares	**(2,873,404,000)**	**(2,873)**	(1,499,091,000)	(1,499)
Balance at end of year	**30,070,247,752**	**₱28,697**	30,070,247,752	₱30,071
Treasury shares – common shares:				
Balance at beginning of year	**1,499,091,000**	**₱5,705***	900,540,000	₱3,420*
Share buy-back	**1,374,313,000**	**4,998***	598,551,000	2,285*
Issuance of share grant	**–**	**–**	–	–
Balance at end of year	**2,873,404,000**	**₱10,703**	1,499,091,000	₱5,705
Issued – preferred shares – Class A:				
Balance at beginning and end of year	**9,128,105,319**	**₱91**	9,128,105,319	₱91
Total number of stockholders	**1,270**	**–**	1,289	–

**Including transaction costs.*

Class A Preferred Shares

Holders of Class A Preferred Shares are entitled to vote and shall receive preferential cash dividends at the rate of 10.0% per annum based on share's par value, upon declaration made at the sole option of the BOD. Dividends on these preferred shares, which shall be paid out of the Company's unrestricted retained earnings, are cumulative whether in any period the amount is covered by available unrestricted retained earnings. No dividends or other distributions shall be paid or declared and set apart for payment in respect of the common shares, unless the full accumulated dividends on all Class A Preferred Shares shall have been paid or declared. Holders of Class A Preferred Shares do not have right to participate in any additional dividends declared for common shareholders. MPHI holds all of the Company's Class A Preferred Shares.

There are no undeclared dividends as at December 31, 2022 and 2021.

Class B Preferred Shares

The Company may issue one or more series of Class B Preferred Shares, as the BOD may determine. The BOD shall also determine (a) cash dividend rate of such preferred share, which in no case to exceed 10.0% per annum; and (b) period and manner of conversion to common shares or redemption. Dividends on these preferred shares, which shall be paid out of the Company's unrestricted retained earnings, are cumulative whether in any period the amount is covered by available unrestricted retained earnings. No dividends shall be paid or declared and set apart for payment in respect of the common shares or Class A Preferred Shares, unless the full accumulated dividends on all Class B Preferred Shares shall have been paid or declared. Holders of Class B Preferred Shares do not have right to participate in any additional dividends declared for common shareholders.

There were no Class B Preferred Shares issued in 2022 and 2021.

Treasury Shares

On February 26, 2020, the BOD approved the implementation of a Share Buyback Program. Said program to run for a period of three (3) months from the date of the approval by the BOD or until May 26, 2020, with the amount of up to ₱5.0 billion being allocated to effect share buybacks under the program. The purpose for the Share Buyback Program was to improve shareholder value. A total of 213,483,000 shares were acquired for purposes of the Share Buyback Program for an accumulated cost of ₱705.8 million (including transaction cost).

On October 1, 2020, the MPIC's Board of Directors approved a second round of the Share Buyback Program of up to ₱5.0 billion commencing on October 2, 2020 until the utilization of the aforementioned amount, or as may otherwise be determined by the Board of Directors. The purpose for the Share Buyback Program is to enhance and improve shareholder value and to manifest confidence in the Company's value and prospects through the repurchase of its common shares. Consequently, the Company's buyback transactions will be triggered in the cases where: (i) the Company's stock is deemed to be substantially undervalued, (ii) when there is high volatility in share prices, or (iii) in any other instance where a buyback would serve to enhance or improve shareholder value, in each as may be reasonably determined by a special committee of the Board established for this purpose. From October 2, 2020 to November 4, 2020, a total of 687,057,000 shares were acquired for purposes of the Share Buyback Program for an accumulated cost of ₱2,715 million, including transaction costs. For the year ended December 31, 2020, acquisition of treasury shares totaled 900.5 million shares for a total costs of ₱3,420 million.

On various dates from July 28 to September 13, 2021, MPIC resumed its Share Buyback Program as approved by the Board on October 1, 2020. In 2021, the Company acquired a total of 598.6 million shares at an average price of ₱3.82 per share and for an accumulated cost of ₱2,285 million. As of September 13, 2021, the approved amount reserved for the Share Buyback Program has been fully utilized.

On February 16, 2022, with the same purpose in mind and to further manifest confidence in the Company's value and prospects, the BOD approved a third round of Share Buyback Program of up to ₱5.0 billion commencing on February 17, 2022 until the utilization of the aforementioned amount, or as may otherwise be determined by the BOD. As at April 4, 2023, MPIC acquired a total of 1,374.3 million shares at an average price of ₱3.64 per share and for an accumulated cost of ₱4,998 million.

Record of Registration of Securities with the Philippine SEC

In accordance with Revised SRC Rule 68, Annex 68-K, below is a summary of the Company's track record of registration of securities:

Issue	Offer price	Date of SEC approval	Number of registered shares securities	Number of holders of securities as at December 31, **2022**	2021
Tender offer to shareholders of Metro Pacific Corporation (MPC) covering subscription warrants relating to common shares of MPIC with par value of ₱1.0 per share	Four (4) MPC shares for one (1) MPIC share plus three (3) warrants	October 25, 2006	Common shares of 56,878,766*	**1,270**	1,289
			Subscription warrants of 170,636,298	**–**	–

**Covered the 2006 registered shares only*

The shares relating to the transaction above were exchanged in the PSE on December 15, 2006, effectively listing MPIC via listing by way of introduction. Out of the total warrants available for conversion, 143,976,756 warrants were converted as at December 31, 2007 and 2,549,211 warrants expired on December 15, 2007.

Dividends

Dividends declared and paid are as follows:

	2022	2021
	(In Millions)	
Declared and paid:		
Final dividend:		
Common shareholders (₱0.076 per share as final dividends for the calendar years in 2021 and 2020)	**₱2,258.6**	₱2,330.8
Class A preferred shareholders	**4.6**	4.6
Interim dividend declared and paid during the year:		
Common shareholders (₱0.0345 per share in 2022 and 2021)	**1,010.1**	1,052.1
Class A preferred shareholders	**4.6**	4.6
	₱3,277.9	₱3,392.1

On March 8, 2023, the BOD approved the declaration of the cash dividends of ₱0.076 per common share in favor of the Company's shareholders of record as of the record date of March 27, 2023 with payment date of April 13, 2023. On the same date, the BOD also approved the declaration of cash dividends amounting to a total of ₱4.6 million in favor of MPHI as the sole holder of Class A Preferred shares.

Equity Reserves

This account is used to recognize the value of equity-settled share-based payments pertaining to RSUP that are provided to certain employees, including key management personnel and directors, as part of their remuneration. The equity reserve from RSUP amounted to ₱108.6 million and ₱90.6 million as at December 31, 2022 and 2021, respectively (see Note 17).

13. **Operating Expenses**

This account consists of:

	2022	2021
	(In Millions)	
Personnel costs	**₱791**	₱557
Professional fees	**334**	388
Donations and contributions (see Note 11)	**61**	120
Depreciation and amortization (see Note 8)	**54**	41
Corporate initiatives	**44**	234
Outside services	**37**	66
Transportation and travel	**35**	4

(Forward)

	2022	2021
	(In Millions)	
Public relation	**₱26**	₱32
Supplies	**19**	12
Insurance	**11**	11
Utilities (see Notes 8 and 11)	**10**	6
Seminars and conferences	**10**	4
Directors' fee (see Note 11)	**8**	8
Repairs and maintenance	**5**	2
Bank charges and commission	**5**	1
Taxes and licenses	**4**	2
Membership dues	**2**	5
Others	**75**	10
	₱1,531	₱1,503

Personnel costs for the years ended December 31, 2022 and 2021 consist of:

	2022	2021
	(In Millions)	
Salaries and wages	**₱392**	₱399
LTIP expense (see Note 14)	**256**	12
Retirement cost (see Note 14)	**34**	13
Employee leaves	**32**	29
Fringe benefit tax	**19**	15
RSUP expense (see Note 17)	**18**	23
Other employee benefits*	**40**	66
	₱791	₱557

**Other employee benefits include benefits of retired and resigned employees.*

14. **Employee Benefits**

LTIP

Certain of the Company's employees are eligible for long-term employee benefits under a long-term incentive plan. The liability recognized on the LTIP comprises the present value of the defined benefit obligation and was determined using the projected unit credit method. Each LTIP performance cycle generally covers 3 years (e.g., 2019 to 2021) with payment intended to be made at the end of each cycle (without interim payments) and is contingent upon the achievement of an approved target core income of the Company by the end of the performance cycle.
Each LTIP performance cycle is approved by the BOD of the Company. On January 31, 2020, the Compensation Committee approved MPIC's LTIP covering cycle 2019 to 2021. The approved LTIP comprised of cash incentives and share award.

On August 4, 2021, the BOD approved the extension of the performance cycle of MPIC from 2019-2021 to 2019-2022 and the treatment of 2020 as a non-performance year. Hence, payout which was originally scheduled in 2022 was moved to 2023. Accordingly, adjustments made to reflect the extension amounted to ₱125 million.

The total cost of the LTIP for 2022 and 2021 amounted to ₱256.1 million and ₱12.2 million, respectively, included in “Personnel costs” under “Operating expenses” in the parent company statements of comprehensive income (see Note 13). LTIP payable is presented under “Other current liabilities” as at December 31, 2022 and “Other noncurrent liabilities” as at December 31, 2021. The details of LTIP payable as at December 31 are as follows:

	2022	2021
	(In Millions)	
Beginning balance	**₱719**	₱707
Current provision	**256**	12
Reclassification*	**(107)**	–
LTIP payable	**₱868**	₱719

**Reclassification related to separation pay*

Upon approval of the BOD on March 8, 2023 and achievement of core income targets for the years 2019 to 2022, the cash incentive portion of the LTIP was paid out on March 10, 2023. The share award covering 16.7 million shares was cancelled. Total cumulative costs of the share award amounting to ₱107 million was recognized in equity reserves. A new cycle covering the years 2023 to 2025 has been approved by the BOD on March 8, 2023.

To fund the LTIP programs for the 2019-2022 cycle, MPIC entered into Investment Management Agreement (“IMA”) with a Trustee Bank. The LTIP fund will continue to accumulate until the LTIP target payout. The investment portfolio of IMA is limited to the following: securities issued, directly or indirectly, or guaranteed by the government; and time deposit and money market placements issued by any of the top ten banks in the Philippines. LTIP deposit amounting to ₱515.7 million is presented under “Other current assets” as at December 31, 2022 while LTIP deposit amounting to ₱507.4 million is presented under “Other noncurrent assets” as at December 31, 2021.

Pension

Regulatory Environment. RA No. 7641, *Retirement Pay Law*, requires a minimum benefit of equivalent to one-half month’s salary for every year of service, with six months or more of service considered as one year. As the Company operates in the Philippines, it provides for a defined contribution retirement plan that considers the minimum benefit guarantee mandated under RA No. 7641.

Defined Contribution Retirement Plan. The retirement benefits of the Company’s employees are provided through a defined contribution scheme as approved by the BOD on August 4, 2010. The retirement plan is a contributory plan wherein the Company undertakes to contribute a predetermined amount to the individual account of each employee and the employee gets whatever is standing to his credit upon separation from the Company. The retirement plan is managed and administered by the compensation committee and a trustee bank had been appointed to hold and invest the assets of the retirement fund in accordance with the provisions of the Plan.

The Company’s contributions to the plan are made based on the employee’s monthly basic salary which is at 10.0%. Additionally, an employee has an option to make a personal contribution to the fund, at an amount not exceeding 40.0% of his monthly salary. The Company then provides an additional contribution to the fund which aims to match the employee’s contribution but only up to a maximum of 5.0% of the employee’s monthly salary. Although the plan has a defined contribution format, the Company regularly monitors compliance with RA No. 7641, which provides for its qualified employees under a defined benefit minimum guarantee. The defined minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641. Accordingly, the Company accounted for the retirement obligation under the higher of defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan. Disclosures required for a defined benefit retirement plan apply to the Company's retirement plan.

Each year, the Company's Compensation Committee reviews compliance with RA No. 7641 to evaluate the level of funding that would ensure that the expected future value of the defined benefit contribution plan asset is sufficient to cover the future expected value of retirement benefits prescribed by RA No. 7641.

MPIC's adoption of a defined benefit plan. On July 14, 2022, the MPIC BOD approved the adoption of an amended Retirement Plan, which shall be referred as the Metro Pacific Investments Corporation Beneficial Trust Fund ("MPIC BTF"). The MPIC BTF is now a defined benefit pension plan and removes the defined contribution scheme which previously allowed the employees to make a personal contribution to the fund. The amendment includes revised vesting period and coverage for eligible regular employees.

The plan assets are maintained in trust accounts with local banks. While there are no minimum funding standards in the Philippines, the companies annually engage the services of an actuary to conduct a valuation study to determine the retirement obligations and the level of funding to ensure that the assets currently in the fund would be sufficient to cover expected benefit payments.

Retirement Costs. The following tables summarize the components of the retirement costs under the defined contribution plan included in "Personnel costs" under "Operating expenses" account in the parent company statements of comprehensive income.

	2022	2021
	(In Millions)	
Current service cost	**₱18**	₱13
Past service cost	**16**	–
Total retirement cost (see Note 13)	**₱34**	₱13

Remeasurement effects recognized in OCI are as follows:

	2022	2021
	(In Millions)	
Actuarial gain (loss)	**₱4**	(₱3)
Loss on return on plan assets excluding amount included in net interest cost	**12**	(1)
	16	(4)
Deferred tax (see Note 16)	**(4)**	2
Actuarial loss, net of deferred tax	**₱12**	(₱2)

The funded status and amounts recognized in the parent company statements of financial position for pension liabilities (recorded under "Other noncurrent liabilities") are as follows:

	2022	2021
	(In Millions)	
Present value of obligation	**(₱117)**	(₱102)
Fair value of plan assets	**689**	101
Pension asset (liability)- net	**₱572**	(₱1)

Movements in the present value of obligation are as follows:

	2022	2021
	(In Millions)	
Present value of obligation at the beginning of year	**₱102**	₱111
Current service cost	**18**	13
Past service cost/(credit)	**16**	–
Interest cost	**6**	5
Benefits paid	**(20)**	(29)
Actuarial loss (gain) due to:		
Experience adjustments	**–**	3
Changes in financial assumptions	**(5)**	(1)
Present value of obligation at the end of year	**₱117**	₱102

Movements in the fair value of plan assets are as follows:

	2022	2021
	(In Millions)	
Fair value of plan assets at beginning of year	**₱101**	₱108
Interest income included in net interest cost	**6**	4
Income (loss) return excluding amount included in net interest cost	**12**	(1)
Actual contributions	**590**	19
Benefits paid	**(20)**	(29)
Fair value of plan assets at end of year	**₱689**	₱101
Actual gain on plan assets	**₱18**	₱3

The allocations of the fair value of the trust fund as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(In %)	
Investments in:		
Financial receivable	**58**	–
Corporate equities, Government securities and Bonds	**30**	65
Unit trust funds	**12**	33
Cash and cash equivalents	**–**	2
	100	100

As at December 31, 2022 and 2021, the trust fund consists of the following:

- Short-term financial receivable
- Investments in government and corporate securities include fixed-rate treasury notes, equity securities and retail treasury bonds and debt securities that bear interest ranging from 3.26% to 6.49% (2022) and 3.26% to 6.49% (2021) per annum and have maturities of up to 2024 as at December 31, 2022 and 2021.
- Unit trust funds include subscription with unit investment fund offered by local institutional investment banks.
- Cash and cash equivalents include regular savings and time deposits, which bear interest of nil per annum as at December 31, 2022 and 2021.

While the Company does not perform any Asset-Liability Matching Study, the risks arising from the nature of the assets comprising the fund, are mitigated as follows:

- *Credit Risks.* Exposure to credit risk arises from financial assets comprising of cash and cash equivalents and investments. The credit risk results from the possible default of the issuer of the financial instrument, with a maximum exposure equivalent to the carrying amount of the instruments. The risk is minimized by ensuring that the exposure is limited only to the instruments as recommended by the fund managers.

- *Share Price Risk.* Exposure arises from holdings of shares of stock being traded at the PSE. The price risk emanates from the volatility of the stock market. Policy is to limit investment in shares of stock to blue chip issues or issues with good fair values.

- *Liquidity Risk.* This risk relates to the risk that the fund is unable to meet its payment obligations associated with its retirement liability when they fall due. To mitigate this risk, the Company contributes to the fund from time to time, based on the recommendations of the actuary with the objective of maintaining their respective fund in a sound condition.

The principal assumptions used to determine pension benefits as at December 31 are as follows:

	2022	2021
Discount rate	**7.05%**	5.14%
Salary increase rate	**4.00%**	8.00%

The discount rate represents the range of single weighted average discount rate used by the Company in arriving at the present value of defined benefit obligation, service and interest cost components of the retirement cost. Assumptions regarding future mortality rate are based on the 2017 Philippine Intercompany Mortality Table, which provide separate rates for males and females.

The weighted average duration of the expected benefit payments is approximately 6.62 years and 8.4 years in 2022 and 2021, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2022	2021
	(In Millions)	
Less than one year	**₱40**	₱11
More than one year to five years	**64**	53
More than five years to 10 years	**72**	60
More than 10 years to 15 years	**98**	64
More than 15 years	**86**	59

Sensitivity Analysis. The calculation of the defined benefit obligation is sensitive to the assumptions set above. The following table summarizes how the present value of defined benefit obligation as at December 31 would have increased (decreased) as a result of change in the respective assumptions by:

	Movements	2022	2021
		(In Millions)	
Discount rate	+1%	**(₱112)**	(₱1)
	-1%	**121**	1
Salary increase rate	+1%	**122**	1
	-1%	**(112)**	–

The Company currently expects to make approximately ₱14.3 million of cash contributions to its retirement fund in 2023.

15. Interest Income, Interest Expense and Other Income (Expenses)

Below are the sources of Company's interest income, interest expense and other income (expenses):

	2022	2021
	(In Millions)	
Interest income:		
Cash and cash equivalents, short-term deposits and restricted cash (see Note 5)	**₱277**	₱159
LTIP deposit	**9**	8
	₱286	₱167
Interest expense:		
Long-term debt (see Note 10)	**₱4,254**	₱4,488
Accretion on financial liabilities (see Notes 7 and 9)	**119**	155
Amortization of debt issue cost (see Note 10)	**93**	88
Accretion on lease liabilities (see Notes 8 and 24)	**4**	2
	₱4,470	₱4,733
Other income (expenses) - net:		
Provision for impairment of assets (see Note 7)	**(₱3,842)**	(₱3,047)
Gain on reversal of impairment (see Note 7)	**2,158**	–
Foreign exchange loss	**(593)**	(372)
Provision for non-recoverability of input taxes (see Note 24)	**(418)**	–
Loan prepayment and refinancing costs	**(54)**	–
Change in fair value of derivative	**38**	(38)
Backoffice services fees (see Note 11)	**5**	6
Others*	**378**	374
	(₱2,328)	(₱3,077)

**Includes remeasurement of provisions (see Note 7) and other items.*

16. **Income Taxes**

Corporate Recovery and Tax Incentive for Enterprise Act (“CREATE Act”)
On March 26, 2021, President Rodrigo Duterte signed into law Republic Act (“RA”) 11534 or the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. The CREATE Act introduces reforms to the corporate income tax and incentives systems.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act:

- Effective July 1, 2020, the Regular Corporate Income Tax (“RCIT”) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity’s office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate is reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020, which as at 2% MCIT for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower MCIT of 1% and corporate income tax rate of 25% effective July 1, 2020. As at December 31, 2020, the Company is in a tax loss position under RCIT but has taxable profit subject to MCIT during the current year.

Under the CREATE Act, the lower regular corporate income tax rate of 25% and MCIT of 1% applies retroactively to July 1, 2020.
- Based on the provisions of the BIR Revenue Regulations (“RR”) No. 05-2021 dated April 8, 2021, the applicable statutory tax rate for the calendar year ended December 31, 2020 is 27.5% while MCIT is at 1.5%. No income tax expense was recognized by the Company in relation to RCIT in 2020. The amount of ₱0.06 million was reflected as an adjustment to MCIT in the 2020 Annual Income Tax Returns.
- Deferred tax assets and liabilities were remeasured using the applicable statutory tax rate of 25% under the CREATE Act. This resulted in a net benefit of ₱1.0 million in 2021.

The above adjustments in income tax provision were recognized for the year ended December 31, 2021. Meanwhile, the tax rates provided for under the CREATE Act were used in 2021.

Current Tax and Final Tax

The provision for current income tax which represents MCIT for the years ended December 31, 2022 and 2021 amounted to ₱0.6 million and ₱0.2 million, respectively. MCIT is imposed where RCIT at 25% is less than 1% MCIT on gross income. Final tax for the years ended December 31, 2022 and 2021 amounted to ₱52.5 million and ₱32.8 million, respectively, which is solely from interest income earned from banks.

Deferred Tax

a. The Company's deferred tax liabilities as at December 31 are as follows:

	2022	2021
	(In Millions)	
Deferred tax liabilities:		
Gain on dilution of interest in MPH (see Note 7)	**₱6,848**	₱6,848
Change in fair value of cash flow hedge	**53**	–
Pension asset (liability) (see Note 14)	**143**	4
	₱7,043	₱6,852

	2022	2021
	(In Millions)	
Net movement recognized in:		
Profit or loss	**₱146**	₱–
Equity (OCI and Equity reserve)	**(45)**	(2)
	₱101	(₱2)

The deferred tax liability relating to the gain on dilution of interest in MPH pertains to the applicable tax on the future conversion of the Exchangeable Bonds (see Note 7).

b. The details of the carryforward benefits of excess NOLCO, MCIT and other deductible temporary difference for which deferred tax assets were not recognized as at December 31, 2022 and 2021 since management believes that it is not probable that future taxable income will be available against which the deferred tax assets can be utilized as follows:

	2022	2021
	(In Millions)	
Items recognized in profit and loss:		
NOLCO	**₱17,745**	₱21,194
Deductible temporary differences	**4,968**	3,896
MCIT	**1**	1
	₱22,712	₱25,091

The carryforward benefits of excess MCIT amounting to ₱0.9 million as at December 31, 2022 and ₱1.4 million as at December 31, 2021, can be claimed as tax credit against future income taxes payable as follows:

Year Incurred	Balance as at December 31, 2021	Additions	Expired	Balance as at December 31, 2022	Expiry Year
		(In Millions)			
2022	₱–	₱1	₱–	₱1	2027
2021	–	–	–	–	2026
2020	–	–	–	–	2025
2019	1	–	(1)	–	2022
	₱1	₱1	(₱1)	₱1	

On September 30, 2020, the BIR issued RR No. 25-2020 implementing Section 4 (bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2022, the Company has incurred NOLCO in 2022 and before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Balance as at December 31, 2021	Additions	Expired	Balance as at December 31, 2022	Expiry Year
		(In Millions)			
2022	₱–	₱5,301	₱–	₱5,301	2025
2019	8,749	–	8,749	–	2022
	₱8,749	₱5,301	₱8,749	₱5,301	

As of December 31, 2022, the Company has incurred NOLCO in taxable year 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Balance as at December 31, 2021	Additions	Expired	Balance as at December 31, 2022	Expiry Year
		(In Millions)			
2021	₱5,490	₱–	₱–	₱5,490	2026
2020	6,954	–	–	6,954	2025
	₱12,444	₱–	₱–	₱12,444	

Following the enactment of CREATE, the applicable statutory tax rate in 2022 and 2021 is at 25%. The Company has no taxable income subject to RCIT for the years ended December 31, 2022 and 2021. The reconciliation between the Company's statutory income tax and the effective income tax on net income (current income tax) for the years ended December 31, 2022 and 2021 follows:

	2022	2021
	(In Millions)	
Income before income tax at RCIT	**₱1,424**	₱2,820
Adjustments for:		
Dividend income exempted from final tax	**(3,435)**	(5,107)
Additional NOLCO	**1,325**	1,373
Nondeductible expenses	**1,242**	974
Nontaxable income	**(632)**	(111)
Unrealized foreign exchange loss	**148**	93
Recognition of pension asset as deferred tax liability	**135**	
Income already subjected to final tax	**(72)**	(42)
Additional MCIT	**1**	–
Change in fair value of cash flow hedge	**11**	–
Current and deferred income tax	**₱147**	₱–

17. **Share-based Payment**

RSUP

LTIP cycle 2019 to 2021. On January 31, 2020, the Compensation Committee approved MPIC's LTIP covering cycle 2019 to 2021. Subsequently on August 4, 2021, as discussed in Note 14, MPIC's LTIP cycle was extended to 2022 with eventual payout in 2023.

A total of 31.8 million shares were granted in relation to the RSUP. Fair value of the Share Award was determined using the market closing price of ₱3.21 per share on date of grant. Coincident to the extension of the cycle, the RSUP was modified to reflect cancellation of 15.1 million shares resulting in the acceleration of vesting and immediate recognition of the related Share Award expense. The remaining 16.7 million shares were remeasured using the market closing price of ₱3.60 per share as of August 4, 2021. Net impact of the modification amounted to ₱5.0 million reduction in Total Share Award expense in 2021.

Total Share Award expense under this RSUP for the years ended December 31, 2022 and 2021 amounted to ₱18.0 million and ₱22.5 million, respectively, and included in "Personnel costs" under "Operating expenses" account in the parent company statements of comprehensive income.

On March 8, 2023, the MPIC Board approved the cancellation of the RSUP portion and approved instead a pure cash award for the LTIP.

18. **Earnings Per Share**

The calculation of earnings per share for the years ended December 31 follows:

		2022	2021
		(In Millions, Except for Per Share Amounts)	
Net income		**₱5,498**	₱11,248
Effect of dividends on preference equity holders of the Company		**(9)**	(9)
	(a)	**5,489**	11,239
Outstanding common shares at the beginning of the year		**30,070**	30,669
Effect of issuance of common shares/share grant during the year		**–**	–
Effect of share buy-back (see Note 12)		**(644)**	(215)
Weighted average number of common shares for basic earnings per share	(b)	**29,426**	30,454
Effects of potential dilution from ESOP and share award (see Note 12)		**–**	–
Weighted average number of common shares adjusted for the effects of potential dilution	(c)	**29,426**	30,454
Basic earnings per share	(a/b)	**₱0.187**	₱0.369
Diluted earnings per share	(a/c)	**₱0.187**	₱0.369

The weighted average number of issued and outstanding shares is derived by multiplying the number of shares outstanding at the beginning of the year, adjusted by the number of shares issued during the year, with a time-weighting factor. The time-weighting factor is the number of days that the common shares are outstanding as a proportion to the total number of days in the year.

19. **Other Matters**

Tariff Setting at the Company's Investees. The water utilities, toll road, electricity distribution and generation and rail businesses in the Philippines are highly regulated and subject to franchises, licenses and/or concessions granted by regulatory authorities. The businesses of MPIC's investees are currently subject to franchises, licenses and/or concessions granted principally by the following regulatory authorities:

Regulated Business	**Regulatory Authority**
Water utilities operations	Metropolitan Waterworks and Sewerage System/National Water Resources Board
Toll road operations	Toll Regulatory Board
Electricity distribution and generation operations	Energy Regulatory Commission Department of Energy
Rail operations	Department of Transportation and the Light Rail Transit Authority

Continued operation of regulated businesses is dependent on the operator's ability to comply with the operational and maintenance requirements under the relevant franchise agreement, license and/or concession agreement. In many cases, grantors of concessions may unilaterally terminate concession agreements prior to the expiry of the concession period if a concessionaire does not rectify certain specified defaults by it within any relevant specified cure periods. Accordingly, MPIC's rights, through its investees, to operate and collect revenue from its regulated businesses depend upon its compliance with the terms and conditions of the relevant concession agreements.

The rate structure of each business provide for returns and permitted cost recoveries which are the most significant determinants of its operating results and are subject to comprehensive regulation pursuant to the franchise, license and/or concession agreements. Prevailing rates are set (with the approval of regulatory authorities) to permit a reasonable rate of return on investments on the provision of regulated services and may provide for the pass-through to customers, on a limited basis, of certain costs resulting from adverse movements in costs, currency exchange rates and system losses. MPIC's and certain of its subsidiaries' and associated companies' results of operations are highly dependent on the ability of MPIC's operating businesses to collect contracted tariffs for their services. Although MPIC and certain of its subsidiaries and associated companies may request tariff rate adjustments periodically pursuant to the relevant franchise, license or concession agreements, any rate adjustment requires approval by the relevant regulatory body.

The status of pending tariff increases for MPIC's water, toll, electricity and rail businesses are properly disclosed in MPIC's consolidated financial statements.

20. **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments consist mainly of borrowings from third party lenders and creditors, proceeds of which were used for the acquisition of investments. The Company has other financial assets and financial liabilities such as cash and cash equivalents and short-term deposits, restricted cash, receivables, accrued expenses and other current liabilities, as well as other related party transactions that arise directly from the Company's operations. The Company also holds financial assets.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. The Company's exposure to foreign currency risk is limited to the US$ loan facility obtained in 2021 as discussed in Note 10.

The BOD reviews and approves policies of managing each of these risks and they are summarized below.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rates relate primarily to its long-term debt. The Company manages interest rate exposure by using a mix of fixed rate and variable rate debts or entering into derivative transaction, particularly interest rate swaps.

Fixed rate debt is subject to fair value interest rate risk while variable rate debt is subject to cash flow interest rate risk. Save for certain loans that are subject to interest rate repricing on the fifth year and a variable five-year USD-denominated loan availed in 2021 (see Note 10), the Company's interest on long-term debts are fixed until maturity as at December 31, 2022. Should the interest rate on the repricing date for this loan be significantly higher than the current fixed rate, the Company has an option to prepay or refinance the loan starting on or after the second year at every interest payment date. The following table demonstrates the sensitivity of income before income tax arising from changes in interest cash flows of floating rate loans due to changes in interest rates with all other variables held constant. The estimates in the movement of interest rates were based on the management's annual financial forecast. There is no other impact on equity other than those already affecting the consolidated statements of comprehensive income.

	Increase in Basis Points		Decrease in Basis Points	
	Basis Points	Effect on Income Before Income Tax	Basis Points	Effect on Income Before Income Tax
		(In Millions)		*(In Millions)*
December 31, 2022				
US Dollar	**+50**	**(35,780)**	**–50**	**35,780**
December 31, 2021				
US Dollar	+50	(32,569)	–50	32,569

As at December 31, 2022, the Company's borrowings were substantially at fixed rates (see Note 10), hence, no significant interest rate risk.

Foreign Currency Risk
To manage the Company's foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, and to improve investment and cash flow planning, MPIC avoids currency and investment cycle mismatches by borrowing mostly in Pesos or in a currency that matches the investment's operating cash flows.

The Company's foreign currency-denominated financial assets and liabilities as at December 31:

	December 31, 2022	
	Original Currency	**Total Peso**
	US Dollar	**Equivalent**
	(in Millions)	
Assets:		
Cash and cash equivalents	**$6**	**₱320**
Liabilities:		
Accrued expenses and other current liabilities	**(2)**	**(109)**
Long-term debts	**(128)**	**(7,156)**
	(130)	**(7,265)**
Net foreign currency - denominated liabilities	**($124)**	**(₱6,945)**

	December 31, 2021	
	Original Currency US Dollar	Total Peso Equivalent
	(in Millions)	
Assets:		
Cash and cash equivalents	$2	₱101
Liabilities:		
Accrued expenses and other current liabilities	(3)	(163)
Long-term debts	(128)	(6,514)
	(131)	(6,677)
Net foreign currency - denominated liabilities	($129)	(₱6,576)

The exchange rates used to determine the peso value are as follows:

	US Dollar
December 31, 2022	**₱55.76**
December 31, 2021	₱50.99

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant. The estimates in the movement of the foreign exchange rates were based on the management's annual financial forecast.

	December 31, 2022		December 31, 2021	
	Increase/ Decrease in Foreign Exchange Rates	Effect on Income Before Income Tax	Increase/ Decrease in Foreign Exchange Rates	Effect on Income Before Income Tax
		(In Millions)		*(In Millions)*
US Dollar	**+5%**	**(₱347)**	+5%	(₱329)
US Dollar	**–5%**	**347**	–5%	329

Liquidity Risk

The Company manages its liquidity profile to be able to finance its capital expenditures and service its maturing debts by maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed credit facilities (see Note 10).

The Company monitors its cash position using a cash forecasting system. All expected collections, check disbursements and other cash payments are determined on a daily basis to arrive at the projected cash position to cover its obligations and ensuring that obligations are met as they fall due. The Company monitors its cash flow position particularly the collections from receivables, receipts of dividends and the funding requirements of operations to ensure an adequate balance of inflows and outflows. The Company also has an online facility with its depository banks wherein bank balances are monitored daily to determine the actual Company cash balances at any time. The Company has cash and cash equivalents and short-term deposits amounting to ₱7.4 million and ₱21.3 million as at December 31, 2022 and 2021, respectively, which are allocated to meet the Company's short-term liquidity needs.

The Company's liquidity and funding management process include the following:

1. Managing the concentration and maturity profile of debt maturities;
2. Maintaining debt financing plans; and

3. Monitoring statement of financial position liquidity ratios against internal, external and regulatory requirements.

Liquidity risk concentrations arise when a number of economic features would cause the Company's ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. As at December 31, 2022 and 2021, the Company's current assets are substantially higher than the current liabilities, hence, liquidity risk is minimal.The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including future interest payments:

	Not exceeding 1 year	More than 1 year but not exceeding 2 years	More than 2 years but not exceeding 5 years	More than 5 years	Total
			(In Millions)		
December 31, 2022					
Accrued expenses and other current liabilities [(a)]	**₱1,791**	**₱–**	**₱–**	**₱–**	**₱1,791**
Due to related parties	**17**	**–**	**–**	**–**	**17**
Provisions	**264**	**151**	**226**	**1,554**	**2,195**
Long-term debts (Principal and interest)	**9,142**	**20,917**	**23,647**	**49,013**	**102,719**
	₱11,214	**₱21,068**	**₱23,873**	**₱50,567**	**₱106,722**
December 31, 2021					
Accrued expenses and other current liabilities [(a)]	₱1,546	₱–	₱–	₱–	₱1,546
Due to related parties	11	–	–	–	11
Provisions	377	215	1,014	1,276	2,882
Long-term debts (Principal and interest)	7,791	8,646	37,633	55,354	109,424
Other noncurrent liabilities	29	71	20	–	120
	₱9,755	₱8,932	₱38,667	₱56,630	₱113,983

[(a)] *Excludes statutory payable.*

Credit Risk

Credit risk is the risk that the Company will incur a loss arising from counterparties that fail to discharge their contracted obligations. The Company manages and controls credit risk by setting limits on the amount of risk that the Company is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Company's exposure to credit risk is equal to the carrying amount of its financial assets, except for those presented in the following table. The Company has no concentration of credit risk.

With the exception of cash and cash equivalents, short-term deposits and restricted cash, the maximum exposure to credit risk (both pre and post consideration of collateral and credit enhancements) at the reporting date is the carrying value of each class of financial assets disclosed in Note 21.

The maximum exposure to credit risk on cash and cash equivalents without considering the effects of collaterals, credit enhancements and other credit risk mitigation techniques is the carrying value of this financial asset. After considering the credit enhancement pertaining to insured deposits in banks as prescribed by Philippine Deposit Insurance Corporation, net maximum exposure as at December 31, 2022 and 2021 amounted to ₱7.4 billion and ₱21.3 billion, respectively.

Impairment of Financial Assets

The Company's receivables are subject to the expected credit loss model. While cash and cash equivalents and short-term deposits are also subject to the impairment requirements of PFRS 9, the identified impairment loss was immaterial.

The Company applies the PFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for receivables. To measure the ECL, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of relevant counterparties over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors [where applicable, gross domestic product (GDP) rate, inflation rate and unemployment rate] affecting the ability of the counterparties to settle the receivables. Generally, receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Impairment losses on receivables are presented as "Provision for ECL" under "Operating expenses" in the parent company statements of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item (see Note 13).

There are no significant concentrations of credit risk, whether through exposure to individual counterparty, specific industry sectors and/or regions.

Set out below is the information about the credit risk exposure on the Company's receivables and due from related parties:

		Days past due					
	Current	<30	31-60	61-90	>91		Total
	Not Credit-impaired					Credit-impaired	
	(In Millions except for the Expected Loss Rates)						
December 31, 2022:							
Expected loss rate	**–%**	**–%**	**–%**	**–%**	**–%**	**100%**	**9%**
Gross carrying amount:							
Receivables:							
Accounts receivable	**₱9**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱9**
Interest receivables	**27**	–	–	–	–	–	**27**
Advances to employees	**7**	–	–	–	–	–	**7**
Other receivables (see Notes 6 and 7)	**589**	–	–	–	–	**71**	**660**
Due from related parties	**47**	**1**	**3**	**5**	**23**	–	**79**
	679	**1**	**3**	**5**	**23**	**71**	**782**
Loss allowance: Receivables (see Notes 6 and 7)	**–**	**–**	**–**	**–**	**–**	**(71)**	**(71)**
	₱679	**₱2,614**	**₱7**	**₱545**	**₱1,196**	**₱–**	**₱711**
December 31, 2021:							
Expected loss rate	**–%**	**–%**	**–%**	**–%**	**–%**	**100%**	**38%**
Gross carrying amount:							
Receivables:							
Accounts receivable	**₱76**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱76**
Interest receivables	**12**	–	–	–	–	–	**12**
Advances to employees	**4**	–	–	–	–	–	**4**
Other receivables (see Notes 6 and 7)	**598**	–	–	–	–	**431**	**1,029**
Due from related parties	**20**	**3**	–	**1**	**1**	–	**25**
	710	**3**	–	**1**	**1**	**431**	**1,146**
Loss allowance: Receivables (see Notes 6 and 7)	**–**	**–**	**–**	**–**	**–**	**431**	**431**
	₱710	**₱3**	**₱–**	**₱1**	**₱1**	**₱–**	**₱715**

The closing loss allowance for receivables as at December 31 reconcile to the opening loss allowance based on lifetime ECL is as follows:

	Receivables
Opening loss allowance as at January 1, 2021	₱431
Written off/reversal	–
Balance as at December 31, 2021	431
Written off/reversal	(360)
Balance as at December 31, 2022	**₱71**

Capital Management

The primary objective of the Company's capital management policies is to ensure that the Company maintains a strong financial position and healthy capital ratios to support its business and maximize shareholder value.

MPIC's loan agreements require achievement of certain financial ratios (see Note 10). Moreover, under the loan agreements, MPIC needs to achieve a DSCR to be able to declare dividends. As at December 31, 2022 and 2021, MPIC is in compliance with the required financial ratios and other loan covenants.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from shareholders, return capital to shareholders, issue new shares or new debt or redeem existing debt. No changes were made in the objectives, policies or processes during the years ended December 31, 2022 and 2021.

The Company monitors capital on the basis of debt-to-equity ratio. Debt-to-equity ratio is calculated as long-term debt over equity.

In 2021, the Company's strategy, which was unchanged from previous years, was to maintain a sustainable debt-to-equity ratio. The debt-to-equity ratios on December 31, 2022 and 2021 are as follows:

	2022	2021
	(In Millions except for the debt-to-equity ratio)	
Long-term debt (see Note 10)	**₱81,504**	₱83,507
Equity (see Note 12)	**137,871**	140,353
Debt-to-equity ratio	**1:1.7**	1:1.7

21. Financial Assets and Financial Liabilities

Categories of Financial Instruments

The categories of the Company's financial assets and financial liabilities, other than cash and cash equivalents and short-term deposits and restricted cash are:

	December 31, 2022					
	Financial Assets			Financial Liabilities		
	Amortized Cost	FVPL	Equity Instruments at FVOCI	Amortized Cost	FVPL	Total
			(In Millions)			
ASSETS						
Investment in Unit Investment Trust Fund [a]	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Receivables	**632**	**–**	**–**	**–**	**–**	**632**
Deposit for LTIP [b]	**516**	**–**	**–**	**–**	**–**	**516**
Due from related parties	**79**	**–**	**–**	**–**	**–**	**79**
Other noncurrent assets:						
Unquoted equity shares	**–**	**–**	**3,460**	**–**	**–**	**3,460**
Derivative asset	**–**	**–**	**210**	**–**	**–**	**210**
Quoted club shares	**–**	**–**	**30**	**–**	**–**	**30**
	₱1,227	**₱–**	**₱3,700**	**₱–**	**₱–**	**₱4,927**
LIABILITIES						
Accrued expenses and other current liabilities [c]	**₱–**	**₱–**	**₱–**	**₱2,446**	**₱6**	**₱2,452**
Due to related parties	**–**	**–**	**–**	**17**	**–**	**17**
Long-term debt	**–**	**–**	**–**	**81,504**	**–**	**81,504**
Provisions (Note 7)	**–**	**–**	**–**	**–**	**2,194**	**2,194**
	₱–	**₱–**	**₱–**	**₱83,967**	**₱2,200**	**₱86,167**

[a] Included under 'Cash and cash equivalents and short-term deposits'.
[b] Included under 'Other current assets'
[c] Excludes statutory payables.

	December 31, 2021					
	Financial Assets			Financial Liabilities		
	Amortized Cost	FVPL	Equity Instruments at FVOCI	Amortized Cost	FVPL	Total
			(In Millions)			
ASSETS						
Investment in Unit Investment Trust Fund [a]	₱–	₱1,183	₱–	₱–	₱–	₱1,183
Receivables [b]	690	–	–	–	–	690
Due from related parties	25	–	–	–	–	25
Other noncurrent assets:						
Unquoted equity shares	–	–	504	–	–	504
Quoted club shares	–	–	21	–	–	21
Deposit for LTIP	507	–	–	–	–	507
	₱1,222	₱1,183	₱525	₱–	₱–	₱2,930
LIABILITIES						
Accrued expenses and other current liabilities [c]	₱–	₱–	₱–	₱2,055	₱44	₱2,099
Due to related parties	–	–	–	11	–	11
Long-term debt	–	–	–	83,507	–	83,507
Provisions (Note 7)	–	–	–	–	2,366	2,366
Other noncurrent liabilities	–	–	–	91	–	91
	₱–	₱–	₱–	₱85,664	₱2,410	₱88,074

[a] *Included under 'Cash and cash equivalents and short-term deposits'.*
[b] *Net of allowance for ECL in receivables amounting to ₱431.2 million.*
[c] *Excludes statutory payables.*

Fair Values

The fair value of the assets and liabilities is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. The following tables summarize the carrying amounts and fair values of the assets and liabilities, analyzed among those whose fair value is based on:

i. Level 1 - Quoted market prices in active markets for identical assets or liabilities
ii. Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
iii. Level 3 - Those with inputs for the asset or liability that are not based on observable market data (unobservable input).

			December 31, 2022		
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
			(In Millions)		
Assets measured at fair value					
Financial Assets at FVPL					
Unit Investment Trust Fund	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Equity Instruments at FVOCI					
Derivative asset	**210**	**–**	**210**	**–**	**210**
Unquoted equity shares	**559**	**–**	**–**	**559**	**559**
Golf club shares	**30**	**–**	**30**	**–**	**30**
	₱1,050	**₱–**	**₱491**	**₱559**	**₱1,050**
Liabilities measured at fair value					
Financial Liabilities at FVPL					
Option Liability	**₱6**	**₱–**	**₱–**	**₱6**	**₱6**
Provisions	**2,195**	**–**	**–**	**2,195**	**2,195**
	₱2,201	**₱–**	**₱–**	**₱2,201**	**₱2,201**
Liabilities for which fair values are disclosed					
Financial Liabilities at amortized cost					
Long-term debt (current and noncurrent)	**₱81,504**	**₱–**	**₱–**	**₱75,876**	**₱75,876**
Due to related parties	**17**	**–**	**–**	**17**	**17**
	₱81,521	**₱–**	**₱–**	**₱75,893**	**₱75,893**

			December 31, 2021		
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
			(In Millions)		
Assets measured at fair value					
Financial Assets at FVPL					
Unit Investment Trust Fund	₱1,183	₱–	₱1,183	₱–	₱1,183
Equity Instruments at FVOCI					
Unquoted equity shares	504	504	–	–	504
Golf club shares	21	–	21	–	21
	₱1,708	₱504	₱1,204	₱–	₱1,708
Liabilities measured at fair value					
Financial Liabilities at FVPL					
Option Liability	₱44	₱–	₱–	₱44	₱44
Provisions	2,366	–	–	2,366	2,366
	₱2,410	₱–	₱–	₱2,410	₱2,410

(Forward)

	December 31, 2021				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
			(In Millions)		
Liabilities for which fair values are disclosed					
Financial Liabilities at amortized cost					
Long-term debt (current and noncurrent)	₱83,507	₱–	₱–	₱84,269	₱84,269
Due to related parties	11	–	–	11	11
	₱83,518	₱–	₱–	₱84,280	₱84,280

The following methods and assumptions were used to measure the fair value of each class of assets and liabilities for which it is practicable to estimate such value:

Cash and Cash Equivalents, Short-Term Deposits, Restricted Cash, Receivables, Due from Related Parties, and Accrued Expenses and Other Current Liabilities. Due to the short-term nature of transactions, the fair value of cash and cash equivalents, short-term deposits, restricted cash, receivables, due from related parties, and accrued expenses and other current liabilities approximate the carrying amounts at the end of the reporting period.

Investments in Unit Investment Trust Fund ("UITF"). UITFs are ready-made investments that allow the pooling of funds from different investors with similar investment objectives. These UITFs are managed by professional fund managers and may be invested in various financial instruments such as money market securities, bonds and equities, which are normally available to large investors only. A UITF uses the mark-to-market method in valuing the fund's securities. A UITF uses the mark-to-market method in valuing the fund's securities. It is a valuation method which calculates the Net Asset Value ("NAV") based on the estimated fair market value of the assets of the fund based on prices supplied by independent sources. The Company's UITFs are recorded under "short-term deposits".

Derivative Liability. The fair value of the call options (recorded under "accrued expenses and other current liabilities") was estimated using a binomial pricing model (see Note 7).

Investments in Golf Club Shares. Fair value (recorded under "other noncurrent assets") is based on quoted market price.

Unquoted Equity Shares. To estimate the fair value of the unquoted equity shares, the Company uses the guideline public company method. This valuation model is based on published data regarding comparable companies' quoted prices, earnings, revenues and EBITDA expressed as a multiple, adjusted for the effect of the non-marketability of the equity securities. The estimate is adjusted for the net debt of the investee, if applicable.

Due to Related Parties. Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments.

Long-term Debt. Estimated fair value is based on the discounted present value of future cash flows using the prevailing interest rates ranging from 2.25% to 7.59% and 2.02% to 6.36% in 2022 and 2021, respectively.

Provisions. Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of financial instruments.

22. Supplemental Cash Flow Information

Non–cash investing activities
In 2022, the Company had a non-cash investing activity which pertains to capital commitment for an investee amounting to ₱168.0 million and reclassification of receivables from ABHC amounting to ₱359.8 million included under the "Other noncurrent assets" account.

Changes in liabilities arising from financing activities:
The following table shows significant changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes:

	Long-term debt (see Note 10)	**Due to related parties** (see Note 11)	**Lease liabilities** (see Notes 8 and 9)
		(In Millions)	
Balance as at January 1, 2022	**₱83,507**	**₱11**	**₱22**
Cash flow (see statements of cash flows)			
Proceeds	**5,000**	**–**	**–**
Payments	**(7,715)**	**–**	**(28)**
Transaction cost	**(38)**	**–**	**–**
	80,754	**11**	**(6)**
Non-cash:			
Amortization of debt issue costs	**₱94**	**₱–**	**₱93**
Derecognition of lease			**(14)**
Interest accretion	**–**	**–**	**4**
Unrealized forex gain/loss	**618**	**–**	**–**
Others	**38**	**6**	**–**
	750	**6**	**83**
Balance as at December 31, 2022	**₱81,504**	**₱17**	**₱77**

	Long-term debt (see Note 10)	Due to related parties (see Note 11)	Lease liabilities (see Notes 8 and 9)
		(In Millions)	
Balance as at January 1, 2021	₱79,115	₱2,399	₱36
Cash flow (see statements of cash flows)			
Proceeds	6,251	–	–
Payments	(2,189)	(2,450)	(16)
Transaction cost	(137)	–	–
	83,040	(51)	20
Non-cash:			
Amortization of debt issue costs	₱88	₱–	₱–
Interest accretion	–	61	2
Unrealized forex gain/loss	379	–	–
Others	–	1	–
	467	62	2
Balance as at December 31, 2021	₱83,507	₱11	₱22

23. Events after the Reporting Period

Aside from MPIC's new term loan agreement (see Note 10) and dividend declaration and approval of another round of Share Buyback Program (see Note 12), events occurring after the reporting period include:

Dividend Declaration. Dividend declaration of the Company's investees are as follows:

Company	Declaration Date	Record Date	Payment Date	MPIC's Expected Share in Dividends
				(In Millions)
MERALCO	February 27, 2023	March 29, 2023	April 26, 2023	₱1,554
MPTC	March 6, 2023	March 21, 2023	On or before April 17, 2023	1,595
MWHC	February 24, 2023	February 24, 2023	On or before April 17, 2023	1,726
Maynilad	February 20, 2023	February 28, 2023	April 14, 2023	188

Acquisition of Axelum Resources Corp. ("ARC"). On February 7, 2023, MPIC, through its wholly-owned subsidiary, Metro Pacific Agro Ventures, Inc ("MPAV"), entered into a sale and purchase agreement with various shareholders of ARC, the country's leading manufacturer and global exporter of high-quality coconut food products, for the acquisition of 1,190,000,000 common shares, and an agreement to subscribe to 200,000,000 redeemable voting preferred shares in ARC for a total consideration of ₱5.32 billion. On closing and subject to securing regulatory approvals, MPAV will have a voting interest constituting approximately 34.76% of the total issued and outstanding capital stock of ARC, inclusive of both the preferred voting and common shares.

Further, on closing, MPAV will enter into an agreement with certain shareholders of ARC relating to the shareholdings, operation and management of ARC.

ARC is the leading manufacturer and exporter globally of high-quality coconut products, and one of the major suppliers of Vita Coco, the global market leader in coconut water. The company is also a major exporter of desiccated coconut, coconut milk/cream, coconut cooking oil, and other coconut products.

Share purchase agreement with SP New Energy Corporation ("SPNEC"). On March 28, 2023, MPIC has entered into a definitive agreement to invest ₱2 billion to acquire 1.6 billion common shares or 16% of SPNEC from its parent Solar Philippines Power Project Holdings, Inc. ("SPPHI"), with MPIC to be given the option to become the single largest shareholder of SPNEC. SPNEC is an integrated developer, owner, and operator of solar power projects listed in the PSE.

The completion of the transaction is subject to the satisfaction of certain conditions precedent, including the procurement of regulatory approvals and execution of a separate agreement which will, among others, grant the MPIC Group the option to increase its interest in SPNEC to 43% of its outstanding shares after SPNEC increases its authorized capital stock from ₱10 billion to ₱50 billion through an asset-for-share swap which involves the infusion of SPPHI assets into SPNEC.

24. **Significant Accounting Policies**

This note provides a list of the significant accounting policies adopted in the preparation of these parent company financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Changes in Accounting Policies and Disclosures

The Company applied the following new PFRSs and amendments to existing standards effective January 1, 2022. Adoption of the following standards did not have any material impact on the Company's consolidated financial statements:

- *Amendments to PFRS 3, Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or *Philippine-IFRIC 21, Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- *Amendments to PAS 16, Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- *Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

  Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

Amendments to PFRS 9, Financial Instruments, Fees in the ’10 per cent’ test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are 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 lender on the other’s behalf.

Amendments to PAS 41, Agriculture, Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply retrospectively, however, the Company is not required to restate prior periods.

b. Principal Accounting and Financial Reporting Policies

The principal accounting and financial reporting policies adopted in preparing the parent company financial statements are as follows:

<u>Current Versus Noncurrent Classification</u>
The Company presents assets and liabilities in the parent company statements of financial position based on current/noncurrent classification.

An asset is current when it is:
- expected to be realized or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realized within twelve months after the reporting period, or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- it is expected to be settled in normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period, or,
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Company measures financial instruments such as equity instruments at FVOCI at fair value at each reporting date and, for the purposes of impairment testing, uses fair value less costs of disposal to determine the recoverable amount of some of its non-financial assets. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 21.

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:

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

The principal or the most advantageous market must be accessible by 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 economic best interest.

A fair value measurement of a non-financial 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 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:
a) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
b) Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
c) 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 financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

The Company determines the policies and procedures for both recurring fair value measurement, such as derivatives, and non-recurring measurement, such as impairment tests. At each reporting date, the finance team analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Company's accounting policies. For this analysis, the finance team verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts, counterparty assessment and other relevant documents.

The finance team also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the finance team presents the valuation results to the Company's top management for review. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above (see Note 21).

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Short-term Deposits
Short-term deposits are highly liquid money market placements with maturities of more than three months but less than one year from dates of acquisition.

Input Taxes
Input taxes represent taxes paid on purchases of applicable goods and services which can be recovered as tax credit against future output VAT liability of the Company.

Restricted Cash
Restricted cash represents cash in banks earmarked for long-term debt principal and interest repayment maintained in compliance with loan agreements.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Instruments: Financial Assets
Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial Assets at Amortized Cost (Debt Instruments). The Company measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, short-term deposits, restricted cash, receivables and due from related parties (see Notes 5, 11 and 21).

Financial Assets Designated at FVOCI (Equity Instruments). Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the parent company statement of comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its investments in quoted and unquoted equity securities under this category (see Note 21).

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the parent company statement of financial position at fair value with net changes in fair value recognized in the statement of comprehensive income.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of Financial Assets. The Company recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Instruments: Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accrued expenses and other current payables (excluding statutory payables), and loans and borrowings.

Subsequent Measurement - Financial Liabilities at FVPL. Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

Subsequent Measurement - Loans and Borrowings. This is the category most relevant to the Company. After initial recognition, interest-bearing and non-interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs under the "Interest expense" in the statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings (see Notes 10, 20 and 21).

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Financial Instruments: Offsetting
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Investments in Subsidiaries, Associates and a Joint Venture
Investments in subsidiaries, associates and a joint venture are accounted for at cost. The investments are carried in the parent company statement of financial position at cost less any impairment in value. The Company recognizes dividend income from its subsidiaries, associates and joint venture when its right to receive the dividend is established.

Property and Equipment
Property and equipment, included as part of "Other noncurrent assets" account in the parent company statement of financial position, are carried at cost, excluding day-to-day servicing, less accumulated depreciation and any impairment loss. The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment and borrowing cost for long-term construction project when recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major repairs are performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized as expense in the period 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 cost of the property and equipment.

Depreciation commences once the property and equipment are available for use and is computed on a straight-line basis over the estimated useful lives of the assets (see Note 8).

The asset's residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial reporting period.

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 amount of the asset) is included in profit or loss in the year the asset is derecognized.

Software Cost
Software cost, included as part of "Other noncurrent assets" account in the parent company statement of financial position, includes the cost of software purchased from a third party, and other direct costs incurred in the software configuration and interface, coding and installation to hardware, including parallel processing, and data conversion. Software cost is amortized on a straight-line basis over the estimated useful life of five years (see Note 8). The carrying cost is reviewed for impairment whenever there is an indication that software cost may be impaired.

Impairment of Nonfinancial Assets
The Company assesses at each end of reporting period whether there is an indication that the Company's investments in subsidiaries and associates and interest in a joint venture, property and equipment and software costs may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use ("VIU") and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognized in profit or loss.

An assessment is made at each end of reporting period 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity
Common Shares. Common shares are classified as equity and measured at par value for all shares issued. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Preferred Shares. Preferred share is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Company's BOD.

Preferred share is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the parent company statement of comprehensive income as accrued.

Treasury Shares. Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the additional paid-in capital.

Retained Earnings. Retained earnings represent accumulated earnings net of cumulative dividends declared, adjusted for the effects of equity restructuring.

Cash Dividend. The Company recognizes a liability to distribute cash to its equity holders when the distribution is authorized, and the distribution is no longer at the discretion of the Company. As per the corporate laws in the Philippines, a distribution is authorized when it is approved by the BOD. A corresponding amount is charged directly against retained earnings.

Equity Reserves. Equity reserves comprise of equity transactions other than capital contributions such as equity component of a convertible financial instrument and share-based payment transactions (RSUP).

Other Comprehensive Income Reserve. OCI reserve comprises items of income and expenses that are recognized directly in equity. Certain OCI items are to be reclassified to profit or loss in subsequent periods.

Provisions
Provisions 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, for example under an insurance contract, 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 parent company statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax 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 an interest expense.

Revenue Recognition
Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods and services to a customer. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent.

Dividend
Revenue is recognized when the right to receive payment is established which is upon the declaration date.

Interest Income
Interest income is recognized as it accrues, using the EIR method.

Rental Income
Revenue from rent is recognized on a straight-line basis over the terms of the lease (included as part of “Other expense – net” account in the parent company statement of comprehensive income).

Backoffice Services Fees
Fees are recognized when services are rendered (included as part of “Other expense - net” account in the parent company statement of comprehensive income).Other Income

The Company applies guidance in the revenue standard related to the transfer of control and measurement of the transaction price, including the constraint on variable consideration, to evaluate the timing and amount of the gain or loss recognized. Included in “Other income” are sale of investments and other incidental gain/income.

Other Income
The Company applies guidance in the revenue standard related to the transfer of control and measurement of the transaction price, including the constraint on variable consideration, to evaluate the timing and amount of the gain or loss recognized. Included in “Other income” are sale of investments and other incidental gain/income.

Expenses Recognition
Expenses are recognized in the parent company statement of comprehensive income when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized in the parent company statement of comprehensive income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the parent company statement of financial position as an asset.

Leases
Right-of-use assets. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Lease liabilities. At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets. The Company applies the short-term lease recognition exemption (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term. Rentals under ‘operating expenses’ account include only those leases that are short-term and of low-value (see Note 13).

Significant judgement in determining the lease term of contracts with renewal options. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Retirement Benefits
The Company has a funded, noncontributory retirement benefit plans covering all their eligible regular employees. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following: (a) service cost; (b) net interest on the net defined benefit liability or asset; and (c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. These remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

RSUP

The Company has an RSUP for eligible executives of the Company and subsidiaries to receive remuneration in the form of share-based payment transactions, whereby executives render services in exchange for the share awards.

The cost of equity-settled transactions (cost of RSUP) with employees is measured by reference to the fair value of the shares at the date at which they are granted. Fair value is determined based on the prevailing closing market price of the shares, further details of which are set forth in Note 16.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative cost of RSUP recognized for equity-settled transactions at each end of reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate at that date of the number of awards that will ultimately vest. The parent company statements of comprehensive income credit or expense (recognized as employee benefits and presented as RSUP expense) for a period represents the movement in cumulative cost of RSUP recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 18).

Long-term Employee Benefits

The Company's LTIP grants cash incentives to eligible key executives of the Company and certain subsidiaries. Liability under the LTIP is determined using the projected unit credit method. Employee benefit costs include current service costs, interest cost, actuarial gains and loss and past service costs. Past service costs and actuarial gains and losses are recognized immediately in profit or loss.

Foreign Currency-Denominated Transactions and Translations

The parent company financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of reporting period. All differences are credited or charged to operations.

Income Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods 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 are enacted or have substantively been enacted at the end of reporting period where the Company operates and generates taxable income.

Current tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except (a) where the deferred tax liability arises from the initial recognition of goodwill or 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 income nor taxable income; and (b) in respect of taxable temporary differences associated with investments in subsidiaries and associates and interest in joint a venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from MCIT and unused NOLCO, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized. Deferred tax, however, is not recognized when (a) 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 income nor taxable income; and (b) in respect of deductible temporary differences associated with investments in subsidiaries and associates and interest in a joint venture, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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 income 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 income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 relating to items recognized outside profit or loss is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax 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.

Sales Tax
Revenues, expenses and assets are recognized net of the amount of sales tax (commonly referred to as “Value Added Tax”), except:

a. Where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

b. Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables (under "Other current assets") or payables (under "Accrued expenses and other current liabilities") in the parent company statement of financial position.

Earnings Per Share
Basic earnings per share is calculated by dividing the net income for the year attributable to the owners of the Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

Diluted earnings per share attributable to owners of the Parent Company is calculated in the same manner assuming that, the weighted average number of common shares outstanding is adjusted for potential common shares from the assumed exercise of ESOP and other dilutive instruments.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes to the parent company financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the end of reporting period (adjusting events), if any, are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

25. **Future Changes in Accounting Policies**

Pronouncements issued but not yet effective are listed below. Unless otherwise specified, these are not expected to have significant impact on the parent company financial statements.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and,
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

<u>Effective beginning on or after January 1, 2024</u>

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early 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 the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.