

## INDEPENDENT AUDITOR'S REPORT

The Joint Venture Board  
Megawide - GISPL Construction Joint Venture  
20 N. Domingo Street, Barangay Valencia  
Quezon City, Philippines

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Megawide - GISPL Construction Joint Venture (an unincorporated Joint Venture) (the Joint Venture), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in joint venture partners' account and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Joint Venture 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 Financial Statements* section of our report. We are independent of the Joint Venture 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 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 Financial Statements

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

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

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



## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Joint Venture'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 Joint Venture'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 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 Joint Venture to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

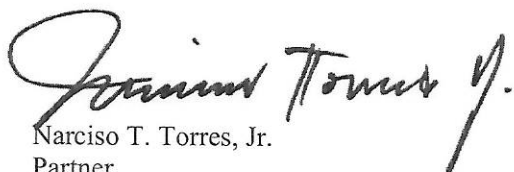
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 19 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Megawide - GISPL Construction Joint Venture. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Narciso T. Torres, Jr.

Partner

CPA Certificate No. 84208

Tax Identification No. 102-099-147

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 84208-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. 08-001998-111-2020, November 27, 2020, valid until November 26, 2023

PTR No. 9566006, January 3, 2023, Makati City

March 15, 2023

  
Director

**MEGAWIDE - GISPL CONSTRUCTION JOINT VENTURE**  
**(An Unincorporated Joint Venture)**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>Years Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash in banks (Note 6)	<b>₱142,240,072</b>	<b>₱20,331,835</b>
Contract and other receivables (Note 7)	<b>1,070,126,656</b>	<b>217,563,664</b>
Contract asset - retentions receivable (Notes 9 and 17)	<b>134,245,604</b>	<b>141,012,805</b>
Other current assets (Note 8)	<b>64,672,266</b>	<b>49,988,320</b>
<b>TOTAL ASSETS</b>	<b>₱1,411,284,598</b>	<b>₱428,896,624</b>
<b>LIABILITIES AND JOINT VENTURE PARTNERS' ACCOUNTS</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 10)	<b>₱1,057,224,298</b>	<b>₱210,417,628</b>
Retentions payable (Note 11)	<b>37,770,666</b>	<b>102,073,002</b>
Contract liability (Note 12)	<b>130,320,173</b>	<b>—</b>
<b>Total Current Liabilities</b>	<b>1,225,315,137</b>	<b>312,490,630</b>
<b>Joint Venture Partners' Accounts (Note 13)</b>	<b>185,969,461</b>	<b>116,405,994</b>
<b>TOTAL LIABILITIES AND JOINT VENTURE PARTNERS' ACCOUNTS</b>	<b>₱1,411,284,598</b>	<b>₱428,896,624</b>

*See accompanying Notes Financial Statements.*



*K. L. Medley*  
**Director**





**MEGAWIDE - GISPL CONSTRUCTION JOINT VENTURE**  
**(An Unincorporated Joint Venture)**  
**STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2022	2021
<b>REVENUE</b>		
Construction (Note 17)	₱1,136,266,973	₱—
Interest income (Note 6)	65,291	19,761
	<u>1,136,332,264</u>	<u>19,761</u>
<b>COST AND EXPENSES</b>		
Construction costs (Note 15)	1,029,370,175	—
General and administrative expenses (Note 16)	15,995,440	367,559
	<u>1,045,365,615</u>	<u>367,559</u>
<b>OTHERS (Note 14)</b>	<u>86,013,612</u>	<u>5,985,787</u>
<b>INCOME BEFORE INCOME TAX</b>	<u>176,980,261</u>	<u>5,637,989</u>
<b>PROVISION FOR INCOME TAX (Note 1)</b>	<u>—</u>	<u>—</u>
<b>NET INCOME</b>	<u>176,980,261</u>	<u>5,637,989</u>
<b>OTHER COMPREHENSIVE INCOME</b>	<u>—</u>	<u>—</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>₱176,980,261</u>	<u>₱5,637,989</u>

*See accompanying Notes to Financial Statements.*



*K. L. Dedup*  
 Director



**MEGAWIDE - GISPL CONSTRUCTION JOINT VENTURE**  
(An Unincorporated Joint Venture)

**STATEMENTS OF CHANGES IN JOINT VENTURE  
PARTNERS' ACCOUNTS**

	Years Ended December 31	
	2022	2021
<b>PARTNERS' CONTRIBUTIONS</b>		
At beginning of the year	₱8,989,200	₱8,989,200
Withdrawals (Note 13)	—	—
At end of the year	8,989,200	8,989,200
<b>RETAINED EARNINGS</b>		
At beginning of the year	107,416,794	101,778,805
Net income	176,980,261	5,637,989
Distribution of profit (Note 13)	(107,416,794)	—
At end of the year	176,980,261	107,416,794
	₱185,969,461	₱116,405,994

*See accompanying Notes to Financial Statements.*



Director



**MEGAWIDE - GISPL CONSTRUCTION JOINT VENTURE**  
**(An Unincorporated Joint Venture)**  
**STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱176,980,261</b>	₱5,637,989
Adjustments for:		
Unrealized foreign exchange gain	(28,942,246)	(32,986)
Interest income	(65,291)	(19,761)
Depreciation (Note 16)	—	367,559
Operating income before working capital changes	<b>147,972,724</b>	5,952,801
Decrease (increase) in:		
Contract and other receivables (Note 7)	(696,574,721)	78,015,900
Contract asset - retentions receivable (Note 9)	6,767,201	—
Other current assets (Note 8)	(14,683,946)	(910,685)
Increase (decrease) in:		
Trade and other payables (Note 10)	846,806,670	(8,640,650)
Retentions payable (Note 11)	(64,302,336)	(66,915,653)
Net cash generated from operations	<b>225,985,592</b>	7,501,713
Interest received	65,291	19,761
Net cash flows generated from operating activities	<b>226,050,883</b>	7,521,474
<b>CASH FLOWS USED IN A FINANCING ACTIVITY</b>		
Distribution of profit (Note 13)	(107,416,794)	—
<b>NET INCREASE IN CASH IN BANKS</b>	<b>118,634,089</b>	7,521,474
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>3,274,148</b>	32,986
<b>CASH IN BANKS AT BEGINNING OF THE YEAR</b>	<b>20,331,835</b>	12,777,375
<b>CASH IN BANKS AT END OF THE YEAR</b>	<b>₱142,240,072</b>	₱20,331,835

*See accompanying Notes to Financial Statements.*



*K. L. Reddy*  
Director





**MEGAWIDE - GISPL CONSTRUCTION JOINT VENTURE**  
**(An Unincorporated Joint Venture)**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. Joint Venture Information**

Megawide - GISPL Construction Joint Venture (the Joint Venture) is unincorporated and is not registered with the Philippine Securities and Exchange Commission.

The Joint Venture is registered with the Bureau of Internal Revenue (BIR) on January 6, 2015 and is engaged in construction works related to the concession for Mactan - Cebu International Airport Terminal Project (the "Project"). The Joint Venture is registered with the Philippine Contractors Accreditation Board (PCAB) on July 3, 2015 with license number SL2-SN-05990 with AAAA-L010 PCAB category. The Joint Venture's registered office address is at 20 N. Domingo Street, Barangay Valencia, Quezon City, Philippines.

Exemption from Corporate Income Tax

Pursuant to Section 22 (Paragraph B) of the Tax Code of 1997, the term "corporation" shall include partnerships, no matter how created or organized, joint stock companies, joint accounts, associations or insurance companies; but does not include general professional partnerships and a joint venture or consortium formed for the purpose of undertaking a construction project. The Joint Venture was formed as a result of a joint venture agreement between Megawide Construction Corporation (MCC) and GMR Infrastructure (Singapore) Pte. Limited - Philippine Branch (GISPL), collectively the "Parties", to undertake construction works for the Project.

The Joint Venture is not subject to the corporate income tax. As such, the Parties will be accountable to report and pay the tax on their respective share of net income from the Joint Venture.

Parties to the Joint Venture

The Parties are MCC, a corporation registered under the laws of the Republic of the Philippines with office address at 20 N. Domingo Street, Barangay Valencia, Quezon City, Republic of the Philippines and GISPL, a branch office organized and existing under and by virtue of the laws of the Republic of the Philippines with principal address at Level 10-1 One Global Place, 25th Street and 5th Avenue, Bonifacio Global City, Taguig City, Metro Manila. GISPL is a branch of GMR Infrastructure (Singapore) Pte. Limited, a corporation duly registered under the laws of Singapore.

GISPL and MCC are registered with the PCAB with license numbers SL2-SN-05924 and 32900, respectively.

The Parties agreed to form the Joint Venture which shall be an unincorporated entity with the sole purpose of undertaking the scope of work for the airport terminal project.

For the purpose of the execution and completion of the Project, each of the Parties agreed to place at the disposal of the Joint Venture, resources, technical knowledge and skill and shall in all respects bear its share, to the extent of its interest, in the responsibility and burden of completing the Project, including the provision of information advice and assistance.



  
Director





The respective interests of the Parties in the Joint Venture shall be 50% to MCC and 50% to GISPL. Insofar as the contrary is expressly provided in the Joint Venture Agreement, all rights, interests, profits, liabilities, obligations, risks and losses arising out of the Project and/or the Joint Venture shall be shared or borne by the Parties separately and in proportion to their respective charges and expenses incurred in connection with the preparation, submission and negotiation of the Agreement, unless expressly agreed otherwise in advance in writing.

#### The Project Owner

The owner of the Project is GMR Megawide Cebu Airport Corporation (the "Project Owner", "GMCAC"), with registered address at Mactan - Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City, Cebu.

#### The Project

The Joint Venture was formed to design, build and construct the Project located at Mactan - Cebu International Airport Terminal, Lapu-Lapu City, Cebu. The scope of the Project comprises the following undertaking:

- construction of Terminal 2 (T2), along with all associated facilities;
- renovation and expansion, but not the demolition, of Terminal 1 and associated facilities;
- complete reconstruction of the T2 Apron;
- planning, designing and developing all utility systems; and
- installation of all required information technology and other equipment for the proper operation and maintenance of the above facilities.

The Project was granted with Notice of Construction Start Date on June 30, 2015 and completed as of December 31, 2021.

On January 26, 2022, the Joint Venture entered into a contract on the repairs of T1 and T2 in relation to damages sustained from Typhoon Odette. The terms of the contract follow the original EPC contract in relation to retentions and defects liability period.

The financial statements of the Joint Venture as of December 31, 2022 and 2021, were authorized for issuance by the Joint Venture Board on March 15, 2023.

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## **2. Basis of Preparation and Statement of Compliance**

#### Basis of Preparation

The financial statements have been prepared on a historical cost basis and are presented in Philippine Peso, the Joint Venture's functional currency. All financial information presented have been rounded to the nearest peso, except when otherwise indicated.

#### Statement of Compliance

The Joint Venture's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).



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### 3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amendments effective in 2022. The Joint Venture has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statement of the Joint Venture.

- Amendments to PFRS 3, *Business Combinations*, 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 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 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 Philippine 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.



#### Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Joint Venture does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Joint Venture intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments, 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 Joint Venture.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, 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 any impact on the financial statements of the Joint Venture.

- Amendments to PAS 12, *Income Taxes, 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. The amendments are not expected to have a material impact on the Joint Venture.



*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

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 noncurrent;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- 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.

- 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. This amendment does not have an impact on the financial statements of the Joint Venture.

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures, 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 (renamed Financial and Sustainability Reporting Standards Council in 2022) deferred the original effective date of January 1, 2016 of the said amendments until the 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.

The amendments may apply to future transactions of the Joint Venture.





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#### 4. Summary of Significant Accounting Policies

##### Current versus Noncurrent Classification

The Joint Venture presents assets and liabilities in the statements of financial position based on current/noncurrent classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in 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 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 settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

##### Fair Value Measurement

###### *Financial Assets*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market should be accessible to the Joint Venture. 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.

###### *Nonfinancial Assets*

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

###### *Fair Value Hierarchy*

The Joint Venture 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:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- 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 on a recurring basis, the Joint Venture 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.

#### Cash in Banks

Cash in banks earn interest at the respective bank deposit rates.

#### 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.

*Classification and Measurement.* The Joint Venture's financial assets are classified and subsequently measured at amortized cost, fair value through other comprehensive income or at fair value through profit or loss (FVPL) in accordance with PFRS 9.

The classification of financial assets is based on the following criteria:

- the Joint Venture's business model for managing the assets; and
- whether contractual cash flow represents 'solely payments of principal and interest' on the principal amount outstanding.

The classification and measurement of the Joint Venture's debt financial assets are as follows:

*At amortized cost.* Debt financial assets are measured at amortized cost when the Joint Venture's business model is to hold the financial assets to collect contractual cash flows and the contractual terms of the financial assets give rise, on specified dates, to cash flows that represent solely payments of principal and interest.

These financial assets are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included as interest income in the statement of comprehensive income. The losses arising from impairment of receivables are recognized in the statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts.

This classification includes the Joint Venture's "Cash in banks", "Contract receivables" under "Contract and other receivables" and "Contract asset - retentions receivable".



The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as of the initial recognition of the assets.

The Joint Venture classifies its financial liabilities into financial liabilities at FVPL and financial liabilities measured at amortized cost. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity account, net of any related income tax benefits.

As of December 31, 2022 and 2021, the Joint Venture does not have financial liabilities at FVPL.

*Financial liabilities at amortized cost*

Issued financial liabilities or their components, which are not designated at FVPL are categorized as other financial liabilities, where the substance of the contractual arrangement results in the Joint Venture having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Joint Venture's "Trade payables", "Accrued expenses", "Due to a related party" and "Due to Joint Venture partners" under "Trade and other payables". Financial liabilities at amortized cost are classified as current liabilities when these are expected to be settled within twelve months from the reporting date or the Joint Venture does not have an unconditional right to defer settlement for at least twelve months from the reporting date. Otherwise, these are classified as noncurrent liabilities.

Impairment of Financial Assets

Under PFRS 9, impairment losses on the Joint Venture's financial assets are measured following the expected credit loss (ECL) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Joint Venture expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For financial assets measured at amortized cost, the Joint Venture applies the simplified approach in calculating the allowance for impairment losses on financial assets. Under the simplified approach, tracking of changes in credit risk is not required and impairment losses is based on the lifetime expected credit losses on the financial assets. The Joint Venture has established a provision matrix that is based on the Joint Venture's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Expected credit losses are recognized in the statement of comprehensive income.

The Joint Venture considers a financial asset to be in default when internal or external information indicates that the Joint Venture is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Joint Venture.



### Derecognition of Financial Assets and Financial Liabilities

#### *Financial Asset.*

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

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

Where the Joint Venture has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Joint Venture’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Joint Venture could be required to repay.

#### *Financial Liability.*

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

### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Joint Venture assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Joint Venture and all of the counterparties.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The cost and related accumulated depreciation and any impairment losses are removed from the accounts and any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of comprehensive income in the year the asset is derecognized.

### Provisions

Provisions are recognized only when the Joint Venture has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Where the Joint Venture expects some or all of provisions to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is





virtually certain. The expense relating to any provision is presented in the financial statements, net of any reimbursement. Provisions are reviewed at each financial reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

#### Joint Venture Partners' Accounts

##### *Partners' Contributions*

This account represents contributions received and withdrawals by Joint Venture partners.

##### *Retained Earnings*

This account represents accumulated earnings of the Joint Venture and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively.

#### Revenue Recognition

Revenue is measured based on the consideration to which the Joint Venture expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Joint Venture satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation over time.

##### *Construction Revenue*

Revenue from construction contracts is recognized over time using an input method to measure progress towards complete satisfaction of the construction service. Input method recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The performance obligation is satisfied over time because the Joint Venture's performance creates an asset that the customer controls as the asset is created. As circumstances change over time, the Joint Venture will update its measure of progress to reflect any changes in the outcome of the performance obligation. Such changes to the Joint Venture's measure of progress shall be accounted for as a change in accounting estimate in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

In addition, the Joint Venture recognizes revenue only if it can reasonably measure its progress towards complete satisfaction of the performance obligation. If the Joint Venture lacks reliable information that would be required to apply an appropriate method of measuring progress such that the Joint Venture may not be able to reasonably measure the outcome of a performance obligation, but it expects to recover the costs incurred in satisfying such performance obligation, the Joint Venture will recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.



*Contract Balance Arising From Revenue From Customer Contracts*

Contract Receivables

A receivable represents the Joint Venture's right to an amount of consideration that is unconditional (i.e., only passage of time is required before payment of the consideration is due).

Contract Asset

Contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Joint Venture performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. This includes the Joint Venture's retentions receivable.

Retentions receivable are recognized as contract asset when the Joint Venture's right for consideration is conditioned on the lapse of the defect and liability period and on the receipt of customer certification that there are no defects on the constructed asset.

Contract Liability

A contract liability is obligation to transfer goods or services to a customer for which the Joint Venture has received consideration (or an amount of consideration is due) from the customer. If a customer pays contribution before the Joint Venture transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Joint Venture performs under the contract. This pertains to the excess of the right to an amount of consideration over the progress of work (see Note 12).

*Revenue Outside the Scope of PFRS 15, Revenue from Contracts with Customers*

*Interest Income*

Interest income is recognized as it accrues, taking into account the effective yield of the related asset.

*Others*

Other income is recognized as it accrues.

Costs and Expenses

*Construction Costs*

This includes direct materials, labor costs and indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are recognized immediately when it is probable that the total contract costs will exceed the total contract revenues. The amount of such loss is determined irrespective of: (a) whether or not work has commenced on the contract; (b) the stage of completion of contract work; or (c) the amount of profits expected to arise on other contracts. Changes in contract performance, contract conditions and estimated profitability, including those arising from penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

*General and Administrative Expenses*

These expenses constitute costs that arise in the course of the ordinary operations of the Joint Venture and are recognized as incurred.



#### Foreign-currency-denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Exchange gains or losses arising from differences between exchange rates prevailing at the time of the transactions and exchange rates on settlement dates are credited or charged to operations.

Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at financial reporting date. Foreign exchange gains and losses arising from foreign exchange transactions are credited or charged to operations for the period.

#### Value-Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfilment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment of scenarios a, c or d and the date of renewal or extension period for scenario b.

#### *Joint Venture as a Lessee*

Lease of assets under which the lessor effectively retains all the risks and rewards of ownership is classified as operating lease. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

#### *Short-term Leases and Leases of Low-value Assets*

The Joint Venture applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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 lease of low-value assets recognition exemption to leases of office equipment that are considered of low value.

#### Contingencies

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



#### Events after the Reporting Date

Post period-end events that provide additional information about the Joint Venture's financial position at the financial reporting period (adjusting events), are reflected in the financial statements. Post period-end events that are not adjusting events are disclosed in the notes to financial statements when material.

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### 5. Management's Judgment and Use of Estimates

The preparation of the Joint Venture's financial statements in compliance with PFRSs requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

#### Judgment

In the process of applying the Joint Venture'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 financial statements:

#### *Determination of Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Joint Venture, the functional currency of the Joint Venture has been determined to be the Philippine Peso. It is the currency that mainly influences the Joint Venture's operations.

#### Management's Use of Estimates

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

#### *Revenue Recognition*

The Joint Venture's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenue, receivables, contract costs and accounts and other payables. The Joint Venture recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Joint Venture determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Joint Venture does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Joint Venture concluded that revenue from construction contracts are satisfied over time since the customer simultaneously receives and consumes the benefits as the Joint Venture constructs the Project.

The Joint Venture determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date. The Joint Venture uses the costs incurred as input in computing for the stage of completion.





#### *Allowance for Impairment Losses*

The Joint Venture maintains allowance for impairment losses based on the ECL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Joint Venture expects to receive. The allowance for impairment losses amounted to nil for the year ended December 31, 2022 and 2021.

#### *Fair Value of Financial Instruments*

Where the fair values of financial assets and financial liabilities recorded or disclosed in the statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

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### 6. Cash in Banks

The Joint Venture's cash in banks amounted to ₱142.2 million and ₱20.3 million as of December 31, 2022 and December 31, 2021, respectively.

Cash in banks represent savings and current accounts in reputable banks. Savings and current accounts earn interest at the respective bank deposit rates. Cash is readily available in payment of current obligations and not subject to any restrictions, contractual or otherwise.

Interest income earned from cash in banks amounted to ₱65,291 and ₱19,761 in 2022 and 2021, respectively.

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### 7. Contract and Other Receivables

	2022	2021
Contract receivables (see Note 17)	₱1,066,904,680	₱217,303,920
Advances to:		
Joint venture partners	2,962,066	—
Suppliers and subcontractors	259,745	259,744
Employees	165	—
	₱1,070,126,656	₱217,563,664

Contract receivables represent the amount billed under the construction contract.

Joint venture partners pertains to the expanded withholding tax on profit sharing in 2022.

Advances to suppliers and subcontractors pertain to down payment on purchases of related services for the Project. These advances will be recouped and applied against future billings of the suppliers.

All receivables are generally due and demandable.



## 8. Other Current Assets

	2022	2021
Deferred input VAT	₱61,254,381	₱21,541,221
Input VAT	3,142,885	28,447,099
Refundable deposits	275,000	—
	<b>₱64,672,266</b>	<b>₱49,988,320</b>

Deferred input VAT refers to input tax on purchase of services not yet paid and can be applied only against any output VAT upon payment to suppliers.

Input VAT pertains to input tax on purchase of goods and services applied against output VAT.

## 9. Contract Asset - Retentions Receivable

Contract asset pertains to retentions receivable which represent five to six percent (5–6%) of the progress billings withheld by the customer. However, such retentions should not exceed 5% of the total contract price as provided in the construction contract. The contract asset - retentions receivable amounted to ₱134.2 million and ₱141.0 million as of December 31, 2022 and 2021, respectively (see Note 17).

## 10. Trade and Other Payables

	2022	2021
Trade payables	₱529,213,077	₱72,647,705
Accrued expenses	394,815,725	39,233,740
Deferred output VAT	125,944,552	38,391,078
Withholding tax payable	7,250,944	2,325,036
Due to a related party (see Note 17)	—	50,000,000
Due to Joint Venture partners (see Note 17)	—	7,820,069
	<b>₱1,057,224,298</b>	<b>₱210,417,628</b>

Trade payables are noninterest-bearing and represent outstanding accounts to various suppliers for purchases of materials and services. These are normally settled within one year.

Accrued expenses pertain to accruals for administrative and subcontractor costs.

Deferred output VAT pertains to output VAT on the sale of services which are not yet collected by the Joint Venture.

Due to a related party pertains to the advances obtained by the Joint Venture from Megawide GMR Construction JV, Inc. (MGCJVI).

Due to Joint Venture partners pertains to management fees charged by MCC and GISPL for their employees specifically working on the Project.



## 11. Retentions Payable

Retentions payable pertains to the amount retained from payments made to subcontractors to ensure compliance and completion of contracted projects and shall be returned after completion. These are noninterest-bearing and normally settled within one year. Retentions payable as of December 31, 2022 and 2021 amounted to ₱37.8 million and ₱102.1 million, respectively.

## 12. Contract Liability

This account represents the excess of the amount of consideration receivable under the contract and the amount of revenue recognized based on percentage of completion. The contract liability recognized as of December 31, 2022 and 2021 amounted to ₱130.3 million and nil, respectively.

## 13. Joint Venture Partners' Accounts

### a. Partners' contributions

2022			
	GISPL	MCC	Total
At January 1	₱4,494,600	₱4,494,600	₱8,989,200
Withdrawals	—	—	—
At December 31	₱4,494,600	₱4,494,600	₱8,989,200

2021			
	GISPL	MCC	Total
At January 1	₱4,494,600	₱4,494,600	₱8,989,200
Withdrawals	—	—	—
At December 31	₱4,494,600	₱4,494,600	₱8,989,200

The Joint Venture considers its Joint Venture Partners' account as capital.

### b. Retained earnings

	2022	2021
At beginning of the year	₱107,416,794	₱101,778,805
Net income	176,980,261	5,637,989
Distribution of profit	(107,416,794)	—
At end of the year	₱176,980,261	₱107,416,794

### c. Capital management

The primary objective of the Joint Venture's capital management is to ensure healthy capital ratios in order to support its business and maximize partners' value.



The Joint Venture manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Joint Venture may obtain additional capital from the Joint Venture Partners or distribute excess capital to the Joint Venture Partners. The Joint Venture is not subject to externally imposed capital requirements.

#### 14. Others

	2022	2021
Foreign exchange gain - net	₱52,937,630	₱10,138
Miscellaneous income	33,075,982	5,975,649
	<b>₱86,013,612</b>	<b>₱5,985,787</b>

Foreign exchange gain - net is mainly composed of the foreign exchange differences arising from the Joint Venture's foreign-currency-denominated cash in banks, collection of its contract receivables and payment of trade payables that are denominated in US Dollars.

Miscellaneous income mainly pertains to scrap sales.

#### 15. Construction Costs

Construction costs mainly pertain to contract works that are subcontracted with other contractors for the construction and completion of the terms of the Project. The Joint Venture incurred subcontractor costs of ₱1,029.4 million and nil in 2022 and 2021, respectively.

Rentals, which are included in subcontractor costs, consist of equipment and project rentals incurred for the construction of the project. These are short-term in nature and amounted to ₱0.6 million and nil in 2022 and 2021, respectively.

#### 16. General and Administrative Expenses

	2022	2021
Management fee (see Note 17)	₱4,204,280	₱—
Professional fee	3,459,244	—
Travel and transportation	1,241,804	—
Rental Vehicle	1,025,357	—
Training and seminars	981,299	—
Insurance	450,000	—
Printing and stationery	392,056	—
Utilities	379,011	—
Communication	295,396	—
Taxes and licenses	197,808	—
Repairs and Maintenance	178,377	—
Bank charges	9,672	—
Depreciation	—	367,559
Others	3,181,136	—
	<b>₱15,995,440</b>	<b>₱367,559</b>

Management fee pertains to the compensation of personnel and other costs incurred by the Joint Venture and paid to GISPL.



## 17. Related Party Transactions

Parties are considered to be related to the Joint Venture if it has the ability, directly or indirectly, to control the Joint Venture or exercise significant influence over the Joint Venture in making financial and operating decisions, or vice versa, or where the Joint Venture and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Joint Venture where those parties are individuals or of any entity that is a related party of the Joint Venture.

In the normal course of business, the Joint Venture entered into various transactions with related parties which are normally settled in cash.

2022					
Company	Account	Volume	Outstanding Receivable (Payable)	Terms	Conditions
<b>Joint Venture Partners</b>					
Management fees: (see Notes 10 and 16):					
GISPL	Due to Joint Venture Partners	₱4,204,280	₱-	Due and demandable; Noninterest-bearing	Unsecured
Civil works contracts (see Notes 10 and 15):					
Megawide Construction Corporation	Construction cost	283,795,362	(309,702,938)	Due and demandable; Noninterest-bearing	Unsecured
MCC - Citicore Construction, Inc.	Construction cost	210,644,643	(212,423,750)		
<b>Under Common Ownership</b>					
Construction contract (see Notes 7 and 9):					
GMCAC	Construction revenue and Contract receivables	1,136,266,973	1,066,904,680	Due and demandable; Noninterest-bearing	Unsecured; No impairment
	Contract asset - retentions receivable	70,928,880	134,245,604	Due and demandable; Noninterest-bearing	Unsecured; No impairment
2021					
Company	Account	Volume	Outstanding Receivable (Payable)	Terms	Conditions
<b>Joint Venture Partners</b>					
Management fees (see Note 10):					
GISPL	Due to Joint Venture Partners	₱-	(₱7,820,069)	Due and demandable; Noninterest-bearing	Unsecured
Civil works contracts (see Notes 10 and 15):					
MCC	Construction cost	-	(68,458,011)	Due and demandable; Noninterest-bearing	Unsecured
	Retentions payable	-	(26,109,863)	Due and demandable; Noninterest-bearing	Unsecured
<b>Under Common Ownership</b>					
Construction contract (see Notes 7 and 9):					
GMCAC	Contract receivables	-	217,303,920	Due and demandable; Noninterest-bearing	Unsecured; No impairment
	Contract asset - retentions receivable	-	141,012,805	Due and demandable; Noninterest-bearing	Unsecured; No impairment
Advances (see Note 10): MGCJVI	Due to a related party	50,000,000	(50,000,000)	Payable in December 2022; Noninterest-bearing	Unsecured



*R. L. Reddy*  
Director





#### Compensation of Key Management Personnel

The key management personnel of the Joint Venture are employees of MCC and GISPL. MCC and GISPL pay the compensation of the said employees and as such, the necessary disclosures required by PAS 24, *Related Party Transactions*, are included in MCC's and GISPL's financial statements.

#### Transaction Price Allocated to Remaining Performance Obligation

The Joint Venture applies the practical expedient in paragraph 121 of PFRS 15 and does not disclose about its remaining performance obligation since the Joint Venture has the right to consideration from the Project Owner in an amount that corresponds directly with its performance obligation completed to date, then the Joint Venture recognizes revenue in that amount.

### 18. Financial Instruments

#### Fair Value Information

Due to the short-term nature of the accounts, fair values of cash in banks, contract receivables and contract asset - retentions receivable and other financial liabilities as of December 31, 2022 and 2021 approximate their carrying amounts.

#### Fair Value Hierarchy

The Joint Venture has no financial assets and liabilities carried at fair value as of December 31, 2022 and 2021.

#### Financial Risk Management Objectives and Policies

The main purpose of the Joint Venture's financial instruments is to fund its operations and capital expenditures. The main risks arising from the use of financial instruments are liquidity risk, credit risk and foreign currency risk.

The Joint Venture's risk management policies are summarized below:

**Liquidity Risk.** Liquidity risk is the risk that an entity will encounter difficulty to raise funds to meet commitments associated with financial liabilities. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values, or the counterparty failing on repayment of a contractual obligation, or inability to generate cash inflows as anticipated.

The Joint Venture monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Joint Venture maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuations in cash flows.

The table below shows the maturity profile of the Joint Venture's financial instruments as of December 31, 2022 and 2021:

	2022			Total
	Due and Demandable	Due Within One Year	Due After One Year	
<b>At Amortized Cost</b>				
Cash in banks (see Note 6)	₱142,240,072	₱—	₱—	₱142,240,072
Contract receivables* (see Note 7)	849,600,760	217,303,920	—	1,066,904,680
Contract asset - retentions receivable (see Note 9)	63,316,724	70,928,880	—	134,245,604
	<b>₱1,055,157,556</b>	<b>₱288,232,800</b>	<b>₱—</b>	<b>₱1,343,390,356</b>

(Forward)



2022				
	Due and Demandable	Due Within One Year	Due After One Year	Total
<b>At Amortized Cost</b>				
Trade and other payables (see Note 10):				
Trade payables	₱529,213,077	₱—	₱—	₱529,213,077
Accrued expenses	394,815,725	—	—	394,815,725
	<b>₱924,028,802</b>	<b>₱—</b>	<b>₱—</b>	<b>₱924,028,802</b>

\*Under "Contract and other receivables"

2021				
	Due and Demandable	Due Within One Year	Due After One Year	Total
<b>At Amortized Cost</b>				
Cash in banks (see Note 6)	₱20,331,835	₱—	₱—	₱20,331,835
Contract receivables* (see Note 7)	217,303,920	—	—	217,303,920
Contract asset - retentions receivable (see Note 9)	141,012,805	—	—	141,012,805
	<b>₱378,648,560</b>	<b>₱—</b>	<b>₱—</b>	<b>₱378,648,560</b>

<b>At Amortized Cost</b>				
Trade and other payables (see Note 10):				
Trade payables	₱72,647,705	₱—	₱—	₱72,647,705
Accrued expenses	39,233,740	—	—	39,233,740
Due to a related party	50,000,000	—	—	50,000,000
Due to Joint Venture partners	7,820,069	—	—	7,820,069
	<b>₱169,701,514</b>	<b>₱—</b>	<b>₱—</b>	<b>₱169,701,514</b>

\*Under "Contract and other receivables"

#### Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Joint Venture's holding of cash and receivables exposes the Joint Venture to credit risk of the counterparty if the counterparty is unwilling or unable to fulfil its obligations, and the Joint Venture consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing.

As of December 31, 2022 and 2021, the gross maximum exposure to credit risk of the Joint Venture amounted to ₱1,317.7 million and ₱378.6 million, respectively. The maximum exposure to credit risk from the Joint Venture arises from the default of the counterparty with a maximum exposure equal to their carrying amounts.

	2022	2021
Cash in banks (see Note 6)	₱142,240,072	₱20,331,835
Contract receivables* (see Note 7)	1,066,904,680	217,303,920
Contract asset - retentions receivable (see Note 9)	134,245,604	141,012,805
	<b>₱1,343,390,356</b>	<b>₱378,648,560</b>

\*Under "Contract and other receivables"



The following are the details of the Joint Venture's assessment of credit quality and the related ECLs as of December 31, 2022 and 2021:

*General Approach*

■ *Cash in banks*

As of December 31, 2022 and 2021, the ECL relating to the cash of the Joint Venture is minimal as these are deposited in reputable banks which have good bank standing and is considered to have low credit risk.

*Simplified Approach*

■ *Contract receivables*

The Joint Venture applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2022 and 2021, the allowance for impairment losses as a result of performing collective and specific impairment test amounted to nil. Management evaluated that the Joint Venture's contract receivables are of high grade and of good credit quality.

■ *Contract asset - retentions receivable*

No ECL is recognized for retentions receivable since these are receivable from the Joint Venture's only customer which is highly reputable.

Exposures more than 30 days past due will normally be classified as Stage 3, but this classification will be rebutted if there is evidence the customer is not in default.

The following are the details of the ECL as of December 31, 2022 and 2021:

2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱142,240,072	₱-	₱-	₱1,201,150,284	₱1,343,390,356
Loss allowance	-	-	-	-	-
Carrying amount	₱142,240,072	₱-	₱-	₱1,201,150,284	₱1,343,390,356

2021					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱20,331,835	₱-	₱-	₱358,316,725	₱378,648,560
Loss allowance	-	-	-	-	-
Carrying amount	₱20,331,835	₱-	₱-	₱358,316,725	₱378,648,560

The aging analysis of the Joint Venture's receivables presented per class follows:

2022						
	Neither Past Due nor Impaired	Past Due but Not Impaired				Total
		<30 Days	31-60 Days	61-90 Days	>90 Days	
Contract receivables*	₱849,600,760	₱-	₱-	₱-	₱217,303,920	₱1,066,904,680
Contract asset - retentions receivable	63,316,724	-	-	-	70,928,880	134,245,604
Total	₱912,917,484	₱-	₱-	₱-	₱288,232,800	₱1,201,150,284

\*Under: "Contract and other receivables"



2021						
	Neither Past Due nor Impaired	Past Due but Not Impaired				Total
		<30 Days	31-60 Days	61-90 Days	>90 Days	
Contract receivables*	P-	P-	P-	P-	P217,303,920	P217,303,920
Contract asset - retentions receivable	-	-	-	-	141,012,805	141,012,805
<b>Total</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P358,316,725</b>	<b>P358,316,725</b>

\*Under "Contract and other receivables"

#### Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial investment will fluctuate because of changes in foreign exchange rates. Financial assets and credit facilities of the Joint Venture are mainly denominated in Philippine Peso. Any foreign exchange holdings are matched with foreign currency requirements to fund commitments and new projects. As such, the Joint Venture's foreign currency risk is minimal.

The following table shows the Joint Venture's foreign-currency-denominated monetary asset and liability and its peso equivalent as of December 31:

	2022		2021	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
<b>Financial Assets</b>				
Cash in banks	\$1,777,047	₱99,057,174	\$21,093	₱1,075,798
Contract receivables	20,407,741	1,066,904,608	-	-
Retentions receivable	1,316,100	70,928,880		
<b>Financial Liability</b>				
Due to Joint Venture partner - GISPL	-	-	(1,398)	(71,298)
<b>Net</b>	<b>\$23,500,888</b>	<b>₱1,236,890,662</b>	<b>\$19,695</b>	<b>₱1,004,500</b>

In translating the foreign-currency-denominated monetary asset and liability into its peso equivalents, the exchange rate used was ₱55.76 to \$1.00 and ₱51.00 to \$1.00, the Philippine Peso-US Dollar exchange rate as at December 31, 2022 and 2021, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso-U.S. dollar exchange rate, with all variables held constant, of the Joint Venture's income before tax (due to changes in the fair value of monetary assets) in December 31:

	Increase/Decrease in Exchange Rate	Effect on Profit Before Tax
<b>2022</b>	<b>₱4.00</b> <b>(4.00)</b>	<b>₱94,003,552</b> <b>(94,003,552)</b>
	Increase/Decrease in Exchange Rate	Effect on Profit Before Tax
<b>2021</b>	<b>₱2.00</b> <b>(2.00)</b>	<b>₱39,390</b> <b>(39,390)</b>

The average change in peso-U.S. dollar exchange rate for three years was used to show the possible effect on income before tax of foreign exchange rate fluctuation. There is no other impact on the Joint Venture's equity other than those already affecting the net income.



#### 19. Supplementary Tax Information under Revenue Regulations (RR) 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes and license fees paid or accrued as of December 31, 2022.

##### Value Added Tax

*Output VAT.* In 2022, the Joint Venture declared output VAT amounting to ₱64,436,983 based on collections from construction revenue amounting to ₱536,974,858.

*Input VAT.* The movements in input VAT for the year are summarized below:

At January 1	₱28,447,099
Add: Domestic purchase/payments for:	
Local purchases of service	33,904,942
Purchase of local goods	360,696
Services rendered by non-residents	—
Purchase of capital goods not exceeding ₱1.0 million	—
Total available input VAT	62,712,737
Claimed against output VAT	64,436,983
	(1,724,246)
VAT Payments	4,867,131
At December 31	₱3,142,885

##### Withholding Taxes

Total withholding taxes in 2022 amounted to ₱17.9 million, which pertain to expanded withholding taxes.

##### Tax Assessments and Cases

The Joint Venture has no deficiency tax assessments or any tax cases, litigation and/or prosecution in Courts or bodies outside of BIR as of December 31, 2022.



  
Director

