**C O V E R   S H E E T**

SEC Registration Number

| A | 2 | 0 | 0 | - | 0 | 0 | 6 | 5 | 2 |
|---|---|---|---|---|---|---|---|---|---|

C O M P A N Y   N A M E

FILINVEST REIT CORP. (formerly CYBERZONE PROPERTIES INC,) AND A SUBSIDIARY

PRINCIPAL OFFICE *( No. / Street / Barangay / City / Town / Province )*

5th - 7th Floors Vector 1 Building, NorthGate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 17Q-1 | | |

C O M P A N Y   I N F O R M A T I O N

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| **N/A** | **8846-0278** | **N/A** |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| **14,529** | **5/30** | **12/31** |

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| **Ms. Ana Venus A. Mejia** | **venus.mejia@filinvestgroup.com** | **8846-0278** | **N/A** |

CONTACT PERSON's ADDRESS

**5th-7th Flr. Vector One Bldg. Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City**

***NOTE 1 :*** *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 17-Q**

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

1. For the quarterly period ended March **31, 2022**

2. SEC Identification Number **A2000-00652** 3. BIR Tax ID **204-863-416-000**

**4.** Exact name of issuer as specified in its charter **FILINVEST REIT CORP.**
**(formerly CYBERZONE PROPERTIES, INC.)**

5. Province, Country or other jurisdiction of incorporation or organization **Philippines**

6. Industry Classification Code: _______ (SEC Use Only)

7. Address of issuer's principal office — Postal Code
**5th – 7th Floors Vector 1 Building, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City** — **1770**

8. Issuer's telephone number, including area code = **02-8846-0278**

9. Former name, former address, and former fiscal year, if changed since last report =
**Not applicable**

10. Securities registered pursuant to Section 8 and 12 of the SRC

| Title of Each Class | Number of shares of Common Stock Outstanding | Amount of Debt Outstanding |
|---|---|---|
| Common Stock, ₱0.50[1] par value | 4,892,777,994 | |
| Bonds Payable | | 5,990,283,712 |

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**The Philippine Stock Exchange, Inc.** **Common shares**

12. Indicate by check mark whether the issuer:

(a) has filed reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA Rule 1(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [x] No [ ]

(b) has been subject to such filing requirements for the past 90 days.
Yes [x] No [ ]

[1] Based on the approval of the Securities and Exchange Commission of the Company's amended Articles of Incorporation dated July 2, 2021.

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**PART 1 – FINANCIAL INFORMATION**

## FILINVEST REIT CORP. (FORMERLY CYBERZONE PROPERTIES, INC.)

**Unaudited Consolidated**
**Financial Statements**

As at March 31, 2022 and December 31, 2021
and
For the three months ended March 31, 2022 and 2021

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | ₱2,666,760,731 | ₱2,587,195,631 |
| Receivables | 808,203,327 | 754,995,633 |
| Other current assets | 140,274,433 | 64,054,931 |
| Total Current Assets | 3,615,238,491 | 3,406,246,195 |
| **Noncurrent Assets** | | |
| Advances to contractors | 11,187,795 | 13,293,694 |
| Investment properties | 9,153,749,128 | 9,165,931,034 |
| Property and equipment | 83,738,664 | 81,686,898 |
| Intangible assets | 1,052,044,098 | 1,054,470,180 |
| Other noncurrent assets | 247,693,153 | 250,528,341 |
| Total Noncurrent Assets | 10,548,412,838 | 10,565,910,147 |
| **Total Assets** | **₱14,163,651,329** | **₱13,972,156,342** |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | ₱1,574,866,002 | ₱1,222,657,329 |
| Current portion of: | | |
| Lease liabilities | 1,917,388 | 1,848,085 |
| Security and other deposits | 130,599,597 | 96,987,598 |
| Bonds payable | 5,990,283,712 | – |
| Total Current Liabilities | 7,697,666,698 | 1,321,493,012 |
| **Noncurrent Liabilities** | | |
| Bonds payable | – | 5,987,044,949 |
| Lease liabilities - net of current portion | 26,040,783 | 25,990,097 |
| Security and other deposits - net of current portion | 621,954,236 | 654,002,829 |
| Total Noncurrent Liabilities | 647,995,020 | 6,667,037,875 |
| **Total Liabilities** | **8,345,661,718** | **7,988,530,887** |
| **Equity** | | |
| Capital stock | 2,446,388,997 | 2,446,388,997 |
| Additional paid-in capital | 2,518,356,922 | 2,518,356,922 |
| Retained earnings | 853,243,692 | 1,018,879,536 |
| Total Equity | **5,817,989,611** | **5,983,625,455** |
| **Total Liabilities and Equity** | **₱14,163,651,329** | **₱13,972,156,342** |

**FILINVEST REIT CORP. (formerly CYBERZONE PROPERTIES, INC.)**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | Quarter Ended March 31 | | Three Months Period Ending March 31 | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **(Unaudited)** | | **(Unaudited)** | |
| **REVENUES** | | | | |
| Rental income | 611,161,418 | 710,106,439 | 611,161,418 | 710,106,439 |
| Others | 212,264,881 | 270,872,357 | 212,264,881 | 270,872,357 |
| | 823,426,299 | 980,978,796 | 823,426,299 | 980,978,796 |
| **COST AND EXPENSES** | | | | |
| Utilities | 54,119,276 | 67,693,314 | 54,119,276 | 67,693,314 |
| Depreciation and amortization | 99,402,994 | 121,834,653 | 99,402,994 | 121,834,653 |
| Rental expense | 63,900,589 | 65,711,431 | 63,900,589 | 65,711,431 |
| Manpower and service cost | 42,809,762 | 53,129,461 | 42,809,762 | 53,129,461 |
| Repairs and maintenance | 31,262,741 | 51,800,573 | 31,262,741 | 51,800,573 |
| Taxes and licenses | 18,737,242 | 32,534,542 | 18,737,242 | 32,534,542 |
| Insurance | 472,957 | 9,237,989 | 472,957 | 9,237,989 |
| Service and management fees | 55,343,920 | 12,432,952 | 55,343,920 | 12,432,952 |
| Others | 3,345,155 | 2,471,045 | 3,345,155 | 2,471,045 |
| | 369,394,636 | 416,845,960 | 369,394,636 | 416,845,960 |
| **OTHER INCOME (CHARGES)** | | | | |
| Gain on derecognition of lease liabilities | - | 85,175,124 | - | 85,175,124 |
| Interest income | 7,888,901 | 689,099 | 7,888,901 | 689,099 |
| Interest and other financing charges | (79,564,773) | (105,339,780) | (79,564,773) | (105,339,780) |
| Other income (charges) - net | (500) | (964,449) | (500) | (964,449) |
| | (71,676,372) | (20,440,006) | (71,676,372) | (20,440,006) |
| **INCOME BEFORE INCOME TAX** | **382,355,291** | **543,692,830** | **382,355,291** | **543,692,830** |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** | | | | |
| Current | - | 50,679,604 | - | 50,679,604 |
| Deferred | - | (146,094,066) | - | (146,094,066) |
| | - | (95,414,462) | - | (95,414,462) |
| **NET INCOME** | **382,355,291** | **639,107,292** | **382,355,291** | **639,107,292** |
| OTHER COMPREHENSIVE INCOME | | | | |
| **TOTAL COMPREHENSIVE INCOME** | **382,355,291** | **639,107,292** | **382,355,291** | **639,107,292** |
| **Basic/Diluted Earnings Per Share** | **0.08** | **0.27** | **0.08** | **0.27** |

**PART 1 – FINANCIAL INFORMATION**

## FILINVEST REIT CORP. (FORMERLY CYBERZONE PROPERTIES, INC.)

**Unaudited Consolidated**
**Financial Statements**

As at March 31, 2022 and December 31, 2021
and
For the three months ended March 31, 2022 and 2021

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | ₱2,666,760,731 | ₱2,587,195,631 |
| Receivables | 808,203,327 | 754,995,633 |
| Other current assets | 140,274,433 | 64,054,931 |
| Total Current Assets | 3,615,238,491 | 3,406,246,195 |
| **Noncurrent Assets** | | |
| Advances to contractors | 11,187,795 | 13,293,694 |
| Investment properties | 9,153,749,128 | 9,165,931,034 |
| Property and equipment | 83,738,664 | 81,686,898 |
| Intangible assets | 1,052,044,098 | 1,054,470,180 |
| Other noncurrent assets | 247,693,153 | 250,528,341 |
| Total Noncurrent Assets | 10,548,412,838 | 10,565,910,147 |
| **Total Assets** | **₱14,163,651,329** | **₱13,972,156,342** |

| | | |
|---|---|---|
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | ₱1,574,866,002 | ₱1,222,657,329 |
| Current portion of: | | |
| Lease liabilities | 1,917,388 | 1,848,085 |
| Security and other deposits | 130,599,597 | 96,987,598 |
| Bonds payable | 5,990,283,712 | – |
| Total Current Liabilities | 7,697,666,698 | 1,321,493,012 |
| **Noncurrent Liabilities** | | |
| Bonds payable | – | 5,987,044,949 |
| Lease liabilities - net of current portion | 26,040,783 | 25,990,097 |
| Security and other deposits - net of current portion | 621,954,236 | 654,002,829 |
| Total Noncurrent Liabilities | 647,995,020 | 6,667,037,875 |
| **Total Liabilities** | **8,345,661,718** | **7,988,530,887** |
| **Equity** | | |
| Capital stock | 2,446,388,997 | 2,446,388,997 |
| Additional paid-in capital | 2,518,356,922 | 2,518,356,922 |
| Retained earnings | 853,243,692 | 1,018,879,536 |
| Total Equity | **5,817,989,611** | **5,983,625,455** |
| **Total Liabilities and Equity** | **₱14,163,651,329** | **₱13,972,156,342** |

**FILINVEST REIT CORP. (formerly CYBERZONE PROPERTIES, INC.)**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | Quarter Ended March 31 | | Three Months Period Ending March 31 | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | (Unaudited) | | (Unaudited) | |
| **REVENUES** | | | | |
| Rental income | 611,161,418 | 710,106,439 | 611,161,418 | 710,106,439 |
| Others | 212,264,881 | 270,872,357 | 212,264,881 | 270,872,357 |
| | 823,426,299 | 980,978,796 | 823,426,299 | 980,978,796 |
| **COST AND EXPENSES** | | | | |
| Utilities | 54,119,276 | 67,693,314 | 54,119,276 | 67,693,314 |
| Depreciation and amortization | 99,402,994 | 121,834,653 | 99,402,994 | 121,834,653 |
| Rental expense | 63,900,589 | 65,711,431 | 63,900,589 | 65,711,431 |
| Manpower and service cost | 42,809,762 | 53,129,461 | 42,809,762 | 53,129,461 |
| Repairs and maintenance | 31,262,741 | 51,800,573 | 31,262,741 | 51,800,573 |
| Taxes and licenses | 18,737,242 | 32,534,542 | 18,737,242 | 32,534,542 |
| Insurance | 472,957 | 9,237,989 | 472,957 | 9,237,989 |
| Service and management fees | 55,343,920 | 12,432,952 | 55,343,920 | 12,432,952 |
| Others | 3,345,155 | 2,471,045 | 3,345,155 | 2,471,045 |
| | 369,394,636 | 416,845,960 | 369,394,636 | 416,845,960 |
| **OTHER INCOME (CHARGES)** | | | | |
| Gain on derecognition of lease liabilities | - | 85,175,124 | - | 85,175,124 |
| Interest income | 7,888,901 | 689,099 | 7,888,901 | 689,099 |
| Interest and other financing charges | (79,564,773) | (105,339,780) | (79,564,773) | (105,339,780) |
| Other income (charges) - net | (500) | (964,449) | (500) | (964,449) |
| | (71,676,372) | (20,440,006) | (71,676,372) | (20,440,006) |
| **INCOME BEFORE INCOME TAX** | **382,355,291** | **543,692,830** | **382,355,291** | **543,692,830** |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** | | | | |
| Current | - | 50,679,604 | - | 50,679,604 |
| Deferred | - | (146,094,066) | - | (146,094,066) |
| | - | (95,414,462) | - | (95,414,462) |
| **NET INCOME** | **382,355,291** | **639,107,292** | **382,355,291** | **639,107,292** |
| OTHER COMPREHENSIVE INCOME | | | | |
| **TOTAL COMPREHENSIVE INCOME** | **382,355,291** | **639,107,292** | **382,355,291** | **639,107,292** |
| **Basic/Diluted Earnings Per Share** | **0.08** | **0.27** | **0.08** | **0.27** |

**FILINVEST REIT CORP. (formerly CYBERZONE PROPERTIES, INC.)**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Three Months Period Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before income tax | ₱382,355,291 | ₱543,692,831 |
| Adjustments for: | | |
| Depreciation and amortization | 91,631,478 | 121,834,654 |
| Interest expense and other financing changes | 79,564,773 | 105,339,780 |
| Gain on derecognition of lease liability | – | (85,175,124) |
| Interest income | (7,888,901) | (689,099) |
| **Operating income before changes in operating assets and liabilities** | **545,662,641** | 685,003,042 |
| **Changes in operating assets and liabilities** | | |
| Decrease (increase) in: | | |
| Receivables | (53,207,694) | (31,844,563) |
| Other current assets | (105,482,492) | (51,063,945) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 680,357,728 | (158,393,358) |
| Other current liabilities | 33,772,606 | – |
| Security and other deposits | 32,474,605 | 8,292,243 |
| Other noncurrent liabilities | (416,681,184) | 26,549,593 |
| **Net cash generated from operations** | **716,896,210** | 478,543,012 |
| Interest received | 7,888,901 | 689,099 |
| Income tax paid | (21,872,968) | (50,679,604) |
| **Net cash provided by operating activities** | **702,912,143** | 428,552,507 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Additions to: | | |
| Noncurrent assets held for distribution | | (173,848,295) |
| Investment properties | 3,352,599 | (4,969,319) |
| Intangible assets | 3,055,954 | (60,385,990) |
| Property and equipment | (7,453,046) | (10,649,822) |
| Decrease (increase) in: | | |
| Advances to contractors | 2,105,899 | (2,269,355) |
| Other noncurrent assets | – | 15,532,703 |
| **Net cash provided by (used) in investing activities** | **1,061,406** | (236,590,078) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Payments of: | | |
| Principal portion of lease liability | (91,304) | (14,105,442) |
| Interest and transaction cost | (76,326,010) | (72,163,561) |
| Dividends Payable | (547,991,135) | – |
| **Net cash provided by (used) in financing activities** | **(624,408,450)** | (86,269,003) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **79,565,100** | 105,693,426 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **2,587,195,631** | 870,517,532 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **₱2,666,760,731** | ₱976,210,958 |

**FILINVEST REIT CORP. (formerly CYBERZONE PROPERTIES, INC.)**
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

| | Three Months Period Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| | **(Unaudited)** | (Unaudited) |
| **Capital Stock** | | |
| Common shares - P0.50 par value | | |
| Authorized - 14,263,698,000 shares | | |
| Issued - 4,892,777,994 shares | | |
| Outstanding - 4,892,777,994 shares | 2,446,388,997 | 1,163,426,668 |
| Additional paid-in capital | 2,518,356,922 | 102,900,666 |
| Deposit for future stock subscription | - | 3,746,250,000 |
| Remeasurement losses on retirement plan | - | (34,155) |
| Retained earnings | | |
| Balance at beginning of the period | 1,018,879,536 | 1,950,125,348 |
| Net income | 382,355,291 | 639,107,292 |
| Dividends | (547,991,135) | (1,690,426,790) |
| Balance at end of the period | 853,243,692 | 898,805,850 |
| Equity attributable to equity holders of the Company | 5,817,989,611 | 5,911,349,029 |
| Noncontrolling interest | - | - |
| **Total Equity** | **5,817,989,611** | **5,911,349,029** |

## 1. Corporate Information

Filinvest REIT Corp. (formerly, Cyberzone Properties, Inc.) (the "Company" or "FILRT") was registered with the Securities and Exchange Commission (SEC) on January 14, 2000. On December 4, 2020, the Board of Directors (BOD) approved the amendments of the Company's articles of incorporation to change the Company's primary purpose to engage into engage in the business of a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including the Revised Implementing Rules and Regulations of Republic Act (RA) No. 9856 (the "REIT Act"), and other applicable laws, which business includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, within or outside the Philippines, in accordance with applicable laws and regulations; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of (a) real estate and other related assets; and (b) managed funds; (3) to receive, collect, and dispose of the rent, interest, and such other income rising from its property and investments; (4) to guaranty the obligations, debt, or loans of its subsidiaries or affiliates or any entity in which the corporation has lawful interest; and (5) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient, or incidental to or implied from the purposes herein mentioned.

The Company was the holding company of ProOffice Works Services, Inc. (ProOffice). On March 18, 2019, ProOffice was incorporated to engage in the business of administration, maintenance and management of real estate developments and projects. ProOffice has started its commercial operations on August 1, 2019. On December 23, 2020, the Company entered into a Deed of Assignment to sell its interest in ProOffice to Filinvest Land, Inc. (FLI) for a total consideration of ₱17.16 million. Accordingly, the Company lost control over ProOffice. The transaction has no material impact to the consolidated financial statements.

The registered office address of the Company and ProOffice is at 5th - 7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

FILRT's Company is Filinvest Land, Inc. (FLI), a subsidiary of Filinvest Development Corporation (FDC). Both FLI and FDC are publicly listed entities. A.L. Gotianun Inc. (ALG) is the Group's ultimate Company. FLI, FDC and ALG were all incorporated in the Philippines.

On June 25, 2021, the Board of Directors of the Company, approved the following amendments to its Articles of Incorporation: (i) change of name of the Company from "Cyberzone Properties, Inc." to "Filinvest REIT Corp.", (ii) reduction of the par value of its Shares from ₱1.00 per common share to ₱0.50 per common share, and (iii) increase of the Company's authorized capital stock from ₱2,000,000,000 to ₱7,131,849,000 divided into 14,263,698,000 Shares with a par value of ₱0.50 per Share. The change in name of the Company, the reduction in the par value of its shares, and the increase in its authorized capital stock were approved by the Philippine SEC on July 2, 2021.

On August 12, 2021, the Company was listed in The Philippine Stock Exchange as a Real Estate Investment Trust (REIT) entity.

## 2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Company have been prepared using the historical cost basis. The consolidated financial statements are presented in Philippine Peso (), which is the functional and presentation currency of the Company, and all amounts are rounded off to the nearest Philippine Peso unless otherwise indicated.

The consolidated financial statements includes the balances of ProOffice until its disposal on December 23, 2020. As a result of the disposal, the Company derecognized the assets and liabilities of ProOffice and the remaining balances pertain only to the Company as of December 31, 2021.

Statement of Compliance
The consolidated financial statements of the Company are prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRS and PAS which became effective beginning January 1, 2020. The Company 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 consolidated financial statements of the Company. The nature and impact of each new standard and amendment are described below:

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic.
A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

1. The rent concession is a direct consequence of COVID-19;
2. The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
3. Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
4. There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The Company adopted the amendments beginning January 1, 2020. However, the adoption of the amendment does not have a material impact since there is no changes to the lease payments of the Company.

- Amendments to PFRS 9, *Financial Instruments,* PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16, *Leases*, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:
- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Company is not required to restate prior periods.

- Adoption of Philippine Interpretations Committee Question and Answers (PIC Q&As) 2018-12 on Accounting for Common Usage Service Area (CUSA)

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15, *Revenue from Contracts with Customers* affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA charges wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020. The deferral will only be applicable for real estate transactions.
  The Company previously availed of the reliefs provided by the SEC and have accounted for the related revenue net of costs and expenses. As at January 1, 2021, the Company adopted PIC Q&A 2018-12-H retrospectively. The initial adoption has no impact on the Company's consolidated statement of financial position and consolidated statement of cashflows.

Future Changes in Accounting Policy

The Company will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Company does not expect the adoption of these standards to have a significant impact on the consolidated financial statements.

*Effective beginning on or after January 1, 2022*

- 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 Consolidated 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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *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.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Company.

- 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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *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 by the Company, based on the Company's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

- 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.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

*Effective beginning on or after January 1, 2023*

- 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. 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 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.

*Effective beginning on or after January 1, 2024*

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Consolidated Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - 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, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice.

*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.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. This accounting standard is not applicable since the Company is not engaged in providing insurance contracts.

*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 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.

- *Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the

Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020.

On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of the following provisions of this PIC Q&A until December 31, 2023.

- Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)
- Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

a. The accounting policies applied.
b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
c. Qualitative discussion of the impact on the consolidated financial statements had the concerned application guidelines in the PIC Q&A been adopted.
d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. The above specific provisions of PIC Q&A No. 2018-12 is not applicable to the Company since it is not involve in the development of real estate projects for sale.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)*

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs,* considering that these inventories are ready for their intended sale in their current condition.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

The IFRIC Agenda Decision has no impact to the Company.

- *Deferral of PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The PIC Q&A has no impact to the Company.

Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification.

An asset is current when:

a. Expected to be realized or intended to be sold or consumed in normal operating cycle;
b. Held primarily for the purpose of trading;
c. Expected to be realized within twelve (12) months after the financial reporting period; or
d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the financial reporting period.

All other assets are classified as noncurrent.

A liability is current when:

a. It is expected to be settled in normal operating cycle;
b. It is held primarily for the purpose of trading;
c. It is due to be settled within 12 months after the financial reporting period; or
d. There is no unconditional right to defer the settlement of the liability for at least 12 months after the financial 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
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 must be accessible to 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.

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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active 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 consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting period.

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

Financial Instruments

Financial assets and liabilities are recognized in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Recognition and Measurement of 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 Assets*
*Initial recognition and measurement*
Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI), or at fair value through profit or loss (FVTPL).

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. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or at FVTOCI, 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.

The Company's financial assets comprise of financial assets at amortized cost.

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

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at FVTPL.

*Financial assets at amortized cost*
Financial assets are measured at amortized cost if both of the following conditions are met:

- The asset is held within the Company's business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument 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 costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the statement of comprehensive income.

The Company classified cash and cash equivalents, receivables and deposits (included under other noncurrent assets) as financial assets at amortized cost.

*Reclassification of financial assets*
The Company can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Company is required to reclassify the following financial assets:

- From amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- From FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted.

A change in the objective of the Company's business model must be effective before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

*Financial liabilities*
*Initial recognition and measurement*
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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.

Loans and borrowings consist primarily of accounts payable and accrued expenses, loans payable, bonds payable, lease liabilities, security and other deposits.

*Subsequent measurement*
Loans and borrowings (financial liabilities at amortized cost) is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest 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 effective interest. The effective interest amortization is included as finance costs in the statement of comprehensive income.

<u>Impairment of Financial Assets</u>
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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 lessee's deposit held or other credit enhancements that are integral to the contractual terms.

The Company applies a simplified approach in calculating ECLs for financial assets at amortized costs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each financial reporting date. The Company has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from reputable rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers receivables in default when contractual payments are sixty (60) days past due. However, in certain cases, the Company may also consider 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.

For other receivables and other financial assets, 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).

<u>Derecognition of Financial Assets and Financial Liabilities</u>
*Financial Assets*
A financial asset is derecognized when:
- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Company has transferred its rights 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 substantially all risks and rewards of the asset but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the asset, the asset is recognized to the extent of the Company'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 the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Financial Liabilities*
A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled. 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 only offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the statement of financial position.

Advances to Contractors
Advances to contractors pertain to down-payments made by the Company which are applied against future billings for development and construction contracts. Advances to be applied as property and equipment or investment properties are presented as noncurrent assets.

Value-added Tax (VAT)
Revenues, expenses, assets and liabilities 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 statements 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.

The net amount of VAT recoverable and payable from the taxation authority is included as part of "Other current assets" and "Accounts payable and accrued expenses", respectively in the statement of financial position.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment
property. Investment properties include buildings that are held to earn rentals and are not occupied by the Company. Investment properties also include right-of-use assets involving real properties that are subleased to other entities. Investment properties, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less accumulated impairment losses, if any.

For those right-of-use assets that qualify as investment properties, i.e., those land that are subleased by the Company, these are classified under investment properties. Consistent with the Company's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Investment properties built on rented properties are depreciated over their estimated useful lives or lease term, whichever is shorter. Depreciation of investment properties are computed using the straight-line method over the economic useful lives of 40-50 years for the building and 15 years for equipment.

The economic useful lives and the depreciation is reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.

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

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and do not change the cost of that property for measurement or disclosure purposes.

Investment properties also include prepaid commission representing incremental costs that are directly attributable to negotiating and arranging a lease. These are initially recognized at cost and are amortized over the related lease term.

Property and Equipment

Property and equipment consist of land improvements and furniture and fixtures. The Company's property and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, and overhaul costs are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of property and equipment is computed using the straight-line method over the economic useful lives of these assets as follows:

| | Years |
|---|---|
| Land improvements | 5 |
| Furniture and fixtures | 3 - 5 |

The economic useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Property and equipment are derecognized when either they have been disposed of or when the property and equipment is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of property and equipment are recognized in the statement of comprehensive income in the year of retirement or disposal.

Intangible Assets

Intangible assets pertain to build, transfer and operate (BTO) rights and ROU assets. Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination or contracted arrangements is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses.

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

BTO rights are amortized over the economic useful life (i.e., 25 years) and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the economic useful lives or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income.

Gains or losses arising from derecognition of intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

Other Assets

Other current and noncurrent assets are recognized in the statement of financial position when it is probable that the future economic benefits will flow to the Company and the assets have cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value.

*Prepaid District Cooling System (DCS) connection charges*

Prepaid DCS connection charges are initially recognized at cost and are subsequently amortized over the term of the supply period (i.e., 20 years) commencing on the date when the related building is connected to the DCS facility. Portion related to the connection of succeeding buildings are amortized over the remaining years of the supply period.

Impairment of Nonfinancial Assets
The Company assesses at each financial reporting date whether there is an indication that its nonfinancial asset (e.g., advances to contractors, investment properties, property and equipment, intangible assets, and other assets) 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 to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company. 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 value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Equity
*Capital stock and additional paid-in capital*
The Company records capital stock at par value and additional paid-in capital for the amount in excess of the total contributions received over the aggregate par value of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

*Deposits for Future Stock Subscription*
Deposit for future stock subscription (DFFS) are recorded based on the subscription amount received and are presented under liabilities unless the following items were met for classification as part of equity:
- There is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;
- The Company's BOD and stockholders have approved an increase in authorized capital stock and amendment in the articles of incorporation to cover the shares corresponding to the amount of the DFFS; and
- The application for the approval of the increase in capital stock has been filed or has been presented for filing with the SEC

*Retained earnings*
Retained earnings represent accumulated earnings of the Company, less dividends declared and any adjustment arising from application of new accounting standards or changes in accounting policies applied retroactively. Retained earnings are restricted for any appropriation as approved by the Company's BOD.

Dividends are deducted from unappropriated retained earnings when declared and approved by the Company's BOD. Dividends payable are recorded as liability until paid or upon distribution of related property held for distribution. Dividends for the year that are declared and approved after financial reporting date, if any, are dealt with as an event after reporting date and disclosed accordingly.

Earnings per Share (EPS)
Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after considering the retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Net Asset Value (NAV) Per Share
The NAV per share is calculated by dividing the adjusted NAV by the total outstanding shares of the Company. The adjusted NAV is equal to total assets plus the fair value adjustment of deposited properties and investible funds held by the Company less total liabilities.

Revenue Recognition
The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

*Rental Revenue*
Rental revenue is recognized in the statement of comprehensive income either on a straight-line basis over the lease term or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Leases under contingent rents are recognized as income in the period in which they are earned.

*Disaggregated revenue information*
The non-lease component of the Company's revenue arises from income from CUSA, air-conditioning dues and utilities. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted air-conditioning and utility services such as water and electricity.

*Common usage service area charges*
Common usage service area charges are recognized when the related services are rendered. The Company has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, and electricity in its office leasing activities, wherein it is acting as agent. Income from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant and are presented gross of related cost and expenses.

*Interest income*
Interest is recognized as it accrues taking into account the effective yield on the underlying asset.

*Other income*
Other income is recognized when the related services have been rendered and the right to receive payment is established.

<u>Other Comprehensive Income (OCI)</u>
OCI are items of income and expense that are not recognized in the profit or loss for the period in accordance with PFRS.

<u>Costs and Expense Recognition</u>
These include the Company's costs incurred in leasing properties and expenses related to administering its business. These are generally recognized as incurred and measured at the amount paid or payable.

<u>Retirement Costs</u>
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the financial reporting date 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 plan is actuarially determined using the projected unit credit method (PUC). Under this method, the current service cost is the present value of retirement benefit payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:
- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

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 the statement of comprehensive income.

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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

All remeasurements recognized in other comprehensive income account "Remeasurement gain on retirement plan", net of tax and are not reclassified to another equity account in subsequent periods.

*Termination benefit*
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs.

Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

*Employee leave entitlement*
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within 12 months after the end of the annual financial reporting date is recognized for services rendered by employees up to the end of the reporting date.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" account in the statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on the temporary investment of those borrowings.

The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

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 taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the report date.

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income 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 profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 liabilities are recognized for all taxable temporary differences, including asset revaluation. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be used.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable 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 report date.

Deferred tax relating to items recognized in other comprehensive income or directly in equity is also recognized in other comprehensive income and not in the statement of comprehensive income.

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

<u>Leases</u>
*Company as lessor*
Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

*Company as lessee*
Except for short-term leases and lease of low-value assets, the Company applies a single recognition and measurement approach for all leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*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). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use 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.

The Company classifies its right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Useful life of right-of-use assets on land presented as part of investment properties and intangible assets ranges from 25 to 50 years.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of nonfinancial assets.

*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.

The Company accounts for a lease modification (i.e., a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease) as a separate lease (i.e., separate from the original lease) when both of the following conditions are met:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets.
- The consideration for the lease increases commensurate with the standalone price for the increase in scope and any adjustments to that stand-alone price reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate new lease. Lessees account for the separate contract that contains a lease in the same manner as other new leases.

*Short-term leases*
The Company applies the short-term lease recognition exemption to its short-term leases (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). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Foreign Currency-denominated Transactions and Translation
Foreign currency-denominated transactions are recorded using the prevailing exchange rates at the time of the transaction. Foreign currency-denominated monetary assets and liabilities are translated using the prevailing exchange rates at the financial report date. Exchange gains or losses resulting from foreign currency transactions and translation are included in the statement of comprehensive income for the year.

Segment Reporting
The Company's operating businesses are organized and managed according to the nature of the products and services provided. The Company has determined that it is operating as one operating segment as of March 31, 2022 and December 31, 2021.

Provisions
A provision is recognized only when the following conditions are present: (a) the Company has 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 on the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense. Provisions are reviewed at each financial report date and adjusted to reflect the current best estimate.

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

Events After the Financial Reporting Date
Post year-end events up to the date of the auditor's report that provide additional information about the Group's position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Any year-end events that are not adjusting event is disclosed in the notes to the consolidated financial statements when material

3. **Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

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

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 consolidated financial statements.

*Adoption of a 'no tax' regime for the Company*
As a REIT entity, the Company can choose to operate within one of two tax regimes (i.e., a 'full tax' regime or a 'no tax' regime). The REIT entity can effectively operate under a 'no tax' regime provided that it meets certain conditions (e.g., listing status, minimum required dividend payments). A REIT entity is required to distribute at least 90% of its annual income as dividends to its investors and is allowed to treat the dividend as deduction for tax purposes making it effectively an income tax-free entity.

As of December 31, 2021, the Company met the provisions of the REIT law and complies with the 90% dividend distribution requirement. The Company has determined, based on its current tax regime and expected dividend distribution in the succeeding periods, that it can effectively operate on a "no-tax" regime. Accordingly, the Company has derecognized its deferred taxes as of December 31, 2021.

*Determination of lease term of contracts with renewal and termination options - Company as a lessee*
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 equivalent to its original lease term. 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).

The renewal options for leases of office spaces and land for certain real estate developments were not included as part of the lease term because the Company assessed that renewal is not reasonably certain.

*Operating lease commitments - Company as lessor*
The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on the evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the investment property, that it retains all the significant risks and rewards of ownership of these properties and accounts for these contracts as operating lease.

*Build Transfer Operate (BTO) Agreement with Cebu Province - Company as operator*
On March 26, 2012, FLI entered into a BTO agreement with The Province of Cebu (Cebu Province). The BTO project relates to the development, construction, and operation of Business Process Outsourcing (BPO) Complex by the Company at the land properties owned by Cebu Province located at Salinas, Lahug Cebu City.

In August 2012, FLI assigned this agreement to the Company. Based on the agreement, the Company has assessed that the Cebu Province (Grantor) cannot control or regulate the services that the operator must provide using the infrastructure, to whom it must provide them and at what price. Due to this, the BTO agreement is assessed to be outside the scope of IFRIC 12, *Service Concession Arrangements*

The Company, on the other hand, has the right to operate and earn rentals from the project upon completion but does not have ownership over the properties. The Company also has no substantial risks and rewards on the properties for the major part of its economic life. Accordingly, the related development cost and lease payments were recorded under "BTO rights" presented under intangible assets in the statement of financial position.

*Determining whether an arrangement contains a lease - Build Operate Transfer (BOT) Agreement*
On September 16, 2015, the Company entered into a BOT agreement with Philippine DCS Development Corporation (PDDC), also a subsidiary of FLI. The BOT agreement relates to the construction and operation by PDDC of the DCS facilities for 20 years, during which PDDC will supply chilled water for the provision of cooling energy to the properties of the Company within Northgate Cyberzone, Muntinlupa City.

While the fulfillment of the terms and conditions of the agreement is dependent on the use of an asset (i.e., DCS facilities), management assessed that the right to control the operations of such asset is not conveyed to the Company considering that: (a) the Company has no ability to operate the asset nor the right to direct PDDC to operate the asset in a manner it determines; and (b) the supply of chilled water will not be exclusive to the properties of the Company during the term of the BOT agreement. Thus, the BOT agreement does not contain a lease within the scope of PFRS 16.

*Classification of noncurrent assets held for distribution*
On July 15, 2021, the SEC approved the property dividend declaration and the Company was compensated for additions subsequent to date of declaration. The related disclosures on noncurrent assets held for distribution and directly related liabilities.

*Impairment assessment of nonfinancial assets*
The Company assesses at each financial reporting date whether there is any indication that the nonfinancial assets (investment properties and intangible assets) may be impaired. The Company considers indications of impairment such as significant changes in asset usage, significant decline in market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indication exists, the Company estimates the recoverable amount of the asset, which is the higher of the asset's fair value less cost to sell and value in use.
The Company has determined that COVID-19 pandemic has no impact and is not considered as an impairment indicator in the impairment assessment of nonfinancial assets. As of March 31, 2022 and December 31, 2021, no impairment indicators were identified for the Company's nonfinancial assets.

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

*Provision for expected credit losses of trade receivables*
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company is calibrating the matrix to adjust the historical

credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of expected credit loss. The Company assessed that the security deposit and advance rentals are sufficient to cover any exposure to credit loss. As of March 31, 2022, and December 31, 2021, the Company's allowance for ECL on its trade receivables amounted to ₱7.7 million.

*Recognition of deferred tax asset*
The Company reviews the carrying amounts of deferred income tax assets at each financial report date and reduces it to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The Company believes that it will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized.

As of December 31, 2021, the Company made an assessment that it will effectively operate as an income tax-free entity and as such, has not recognized any deferred tax assets.

4. **Cash and Cash Equivalents**

This account consists of:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash on hand and in banks | ₱537,341,418 | ₱515,722,841 |
| Cash equivalents | 2,129,419,313 | 2,071,472,790 |
| | ₱2,666,760,731 | ₱2,587,195,631 |

Cash in banks earn interest at their respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk and change in value and earned interest at prevailing short-term investment ranging from 0.25% to 1.25% for the three months ended March 31 2022 and 2021, respectively.

Interest earned from cash and cash equivalents amounted to ₱3.6 million and ₱0.3 million for the three months ended March 31, 2022 and 2021.

There is no restriction on the Company's cash and cash equivalents as at March 31, 2022 and December 31, 2021.

**5. Receivables**

This account consists of:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Trade receivables | ₱786,446,695 | ₱730,984,104 |
| Advances to officers and employees | 29,458,904 | 31,713,801 |
| | 815,905,598 | 762,697,905 |
| Less expected credit loss | 7,702,272 | 7,702,272 |
| | ₱808,203,327 | 754,995,633 |

Trade receivables represent charges to tenants for rentals and utilities which are normally collectible within 20 days from billing date. These include receivable earned but not yet billed arising from straight-line recognition of lease income from covered lessees. These are covered by security deposits by tenants equivalent to 3 months rent paid by the lessees. All overdue and unpaid rent, dues and charges, if any, are subject to interest at 18% per annum and penalty of 24% per annum. Interest and penalties from late payments amounted to ₱4.3 million and ₱0.42million for the three months ended March 31, 2022 and 2021, respectively.

Advances to officers and employees pertain to salary and loans granted by the Company which are collectible through salary deduction and are non-interest bearing. This also represents advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

## 6. Intangible Assets

On March 26, 2012, FLI entered into a BTO agreement with Cebu Province. This was subsequently assigned to the Company in August 2012.

"BTO rights" relate to the development cost, construction and operation of BPO Complex at the land properties owned by Cebu Province. As of March 31, 2022 and December 31, 2021, cost of completed portion pertaining to Cebu Tower 1 of the BTO project amounted to ₱1.3 billion.

"Right-of-Use assets" pertain to the related lease payments required under the BTO agreement for the land where the buildings were constructed.

The rollforward analysis of intangible assets follows:

| | March 31, 2022 | | |
|---|---|---|---|
| | BTO Rights | Right-of-Use Assets | Total |
| Cost | | | |
| Balance at beginning of year | ₱1,326,412,084 | ₱22,076,538 | ₱1,348,488,622 |
| Additions | – | – | – |
| Balance at end of year | 1,326,412,084 | 22,076,538 | 1,348,488,622 |
| Accumulated Depreciation | | | |
| Balance at beginning of year | 291,369,257 | 2,649,185 | 294,018,442 |
| Depreciation | 2,205,316 | 220,765 | 2,426,081 |
| Balance at end of year | 293,574,573 | 2,869,950 | 296,444,523 |
| Net Book Value | ₱1,032,837,511 | ₱19,206,588 | ₱1,052,044,099 |

| | December 31, 2021 | | |
|---|---|---|---|
| | BTO Rights | Right-of-Use Assets | Total |
| Cost | | | |
| Balance at beginning of year | ₱3,576,270,821 | ₱112,423,917 | ₱3,688,694,738 |
| Additions | 146,672,218 | – | 146,672,218 |
| Reclassification | (1,430,406,718) | (30,115,793) | (1,460,522,511) |
| Derecognition | (966,124,237) | (60,231,586) | (1,026,355,823) |
| Balance at end of year | 1,326,412,084 | 22,076,538 | 1,348,488,622 |
| Accumulated Depreciation | | | |
| Balance at beginning of year | 270,873,400 | 8,993,914 | 279,867,314 |
| Depreciation | 57,169,464 | 1,485,377 | 58,654,841 |
| Reclassification | (36,673,607) | (2,610,035) | (39,283,642) |
| Derecognition | – | (5,220,071) | (5,220,071) |
| Balance at end of year | 291,369,257 | 2,649,185 | 294,018,442 |
| Net Book Value | ₱1,035,042,827 | ₱19,427,353 | ₱1,054,470,180 |

On February 11, 2021, the BOD approved the transfer of Cebu Towers 3 and 4 to FLI by way of assignment of right to manage and operate. FLI will compensate the Company at a consideration equivalent to the cost of the properties upon assignment.

On February 26, 2021, the Company and FLI executed deed of assignment of rights for the transfer of the properties. Hence, the cost of these properties, including the related right-of use assets and lease liabilities, were derecognized.

Rental income recognized arising from the BTO agreement amounted to ₱41.7 million and ₱207.9 million in March 31, 2022 and December 31, 2021, respectively.

Tenant dues from BTO rights amounted to ₱14.5 million and ₱72.9 million, in March 31, 2022 and December 31, 2021, respectively.

Operating expenses incurred for maintaining and operating these assets amounted to ₱30.5 million and ₱93.7 million in March 31, 2022 and December 31, 2021 respectively.

## 7. Advances to Contractors

Advances to contractors represent advances for project costs and other disbursements related to buildings under construction. The advances shall be settled through recoupment against contractors' billings. Advances to contractors amounted to ₱11.2 million and ₱13.3 million as of March 31, 2022 and December 31, 2021, respectively.

## 8. Investment Properties

The rollforward analyses of this account follows:

| | March 31, 2022 | | | |
|---|---|---|---|---|
| | Buildings and Improvement | Right-of-use asset | Others | Total |
| Cost | | | | |
| Balance at beginning of period | ₱11,466,178,633 | ₱– | ₱127,730,011 | ₱11,593,908,644 |
| Additions | 37,799,935 | – | 44,811,742 | 82,611,677 |
| Balance at end of period | 11,503,978,569 | – | 172,541,753 | 11,676,520,322 |
| Accumulated Depreciation | | | | |
| Balance at beginning of period | 2,339,348,223 | – | 66,786,173 | 2,406,134,396 |
| Depreciation | 122,961,015 | – | (6,324,218) | 116,636,797 |
| Balance at end of period | 2,462,309,238 | – | 60,461,955 | 2,522,771,193 |
| Net Book Value | ₱9,041,669,331 | ₱– | ₱112,079,798 | ₱9,153,749,128 |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Buildings and Improvement | Right-of-use asset | Others | Total |
| Cost | | | | |
| Balance at beginning of period | ₱11,953,070,219 | ₱1,946,930,753 | ₱158,204,744 | ₱14,058,205,716 |
| Additions | 60,686,413 | – | 13,716,995 | 74,403,408 |
| Derecognition | – | (1,884,771,395) | (44,191,728) | (1,928,963,123) |
| Reclassification | (528,355,502) | (62,159,358) | – | (590,514,860) |
| Balance at end of period | 11,485,401,130 | – | 127,730,011 | 11,613,131,141 |
| Accumulated Depreciation | | | | |
| Balance at beginning of period | 2,339,348,223 | 39,188,512 | 49,864,109 | 2,428,400,844 |
| Depreciation | 267,057,842 | 11,286,856 | 28,900,550 | 307,245,248 |
| Derecognition | – | (42,779,448) | (11,978,486) | (54,757,934) |
| Reclassification | (225,992,131) | (7,695,920) | – | (233,688,051) |
| Balance at end of period | 2,380,413,934 | – | 66,786,173 | 2,447,200,107 |
| Net Book Value | ₱9,104,987,196 | ₱– | ₱60,943,838 | ₱9,165,931,034 |

Others include prepaid commission costs directly attributable in obtaining the operating leases related to the Company's office buildings.

As of December 31, 2021, the estimated fair value of the Company's investment properties amounted to ₱45,429.7 million. The fair value of the investment properties is computed based on the income approach using discounted cash flow method. Using income approach, all expected cash flows from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations. The valuation of investment property is categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs. The significant unobservable inputs used in the valuation pertains to lease income growth rate and discount rate. The fair value used by the Company is based on a valuation performed in 2021 by an accredited third-party appraisal who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

Rental income from investment properties amounted to ₱569.4 million and ₱2,311.4 million in March 31, 2022 and December 31, 2021, respectively. Tenant dues from investment properties amounted to ₱210.7 million and ₱796.5 million in March 31, 2022 and December 31, 2021, respectively.

Operating expenses incurred for maintaining and operating these investment properties amounted to ₱410.0 million and ₱1,067.0 million in March 2022 and December 31, 2021, respectively.

## 9. Property and Equipment

The rollforward analysis of this account follows:

| | March 31, 2022 | | |
|---|---|---|---|
| | Land Improvements | Furniture and Fixtures | Total |
| Cost | | | |
| Balance at beginning of period | ₱38,703,162 | ₱122,352,927 | ₱161,056,089 |
| Additions | – | 7,453,046 | 7,453,046 |
| Balance at end of period | 38,703,162 | 129,805,972 | 168,509,134 |
| Accumulated Depreciation | | | |
| Balance at beginning of period | 19,676,048 | 59,693,143 | 79,369,191 |
| Depreciation | | 5,401,280 | 5,401,280 |
| Balance at end of period | 19,676,048 | 65,094,423 | 84,770,470 |
| Net Book Value | ₱19,027,114 | ₱64,711,550 | ₱83,738,664 |

| | December 31, 2021 | | |
|---|---|---|---|
| | Land Improvements | Furniture and Fixtures, | Total |
| Cost | | | |
| Balance at beginning of year | ₱38,703,162 | ₱92,133,553 | ₱130,836,715 |
| Additions | | 30,219,374 | 30,219,374 |
| Balance at end of year | 38,703,162 | 122,352,927 | 161,056,089 |
| Accumulated Depreciation | | | |
| Balance at beginning of year | 19,325,574 | 43,116,259 | 62,441,833 |
| Depreciation | 350,473 | 16,576,885 | 16,927,358 |
| Balance at end of year | 19,676,047 | 59,693,144 | 79,369,191 |
| Net Book Value | ₱19,027,115 | ₱62,659,783 | ₱81,686,898 |

As of March 31, 2022, property and equipment is not used as collateral and is not subject to any encumbrances.

## 10. Other Assets

Other current assets consist of:

| | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Input VAT - net | ₱17,020,650 | ₱12,596,885 |
| Creditable withholding tax | 40,383,432 | 23,411,881 |
| Prepayments | 68,113,159 | 8,500,982 |
| Others | 14,757,192 | 19,545,183 |
| | 140,274,433 | 64,054,931 |
| Less noncurrent portion of input VAT | – | – |
| | ₱140,274,433 | ₱64,054,931 |

Input Value Added Tax (VAT) represents the taxes imposed to the Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulation. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT are recoverable at its full amount.

Creditable withholding tax are attributable to taxes withheld by third parties arising from income which are fully realizable and will be applied against future taxes payable. The amounts represent the residual after application as credit against income tax payable.

Prepayments consist of prepaid expenses for financial charges, taxes and licenses, insurance and association dues.

Others include office and maintenance supplies.

## 11. Accounts Payable and Accrued Expenses

This account consists of:

| | March 31,2022 (Unaudited) | December 31,2021 (Audited) |
|---|---|---|
| Advances from tenants | ₱792,205,213 | ₱477,748,494 |
| Accrued expenses | 278,945,445 | 254,501,467 |
| Payable to suppliers | 149,882,294 | 140,045,076 |
| Due to related parties | 78,067,043 | 86,102,391 |
| Accrued interest payable | 102,221,010 | 102,221,010 |
| Payable to contractors | 108,014,428 | 84,857,304 |
| Withholding taxes payable | 35,953,987 | 48,507,499 |
| Retention payable - current portion | 29,576,581 | 28,674,088 |
| | ₱1,574,866,001 | ₱1,222,657,329 |

Accrued expenses include accruals for utilities, maintenance, service and energy charges, outside services and other expenses. These are normally settled within the year.

Advances from tenants are advance payments received for rentals, utilities and other fees. These are applied against rental obligations of the tenants when they become due.

Accrued expenses include accruals for utilities, maintenance, service and energy charges, outside services and other expenses. These are normally settled within the year.

Retention payable account pertains to the amounts withheld by the Company from contractors' progress billings which are returned upon completion of their services or expiry of the contractors' warranty period.

Payable to contractors arises from progress billings received from contractors for the constructions costs incurred by the Company.

Payable to suppliers arise from various acquisitions of materials and supplies used for construction and are normally payable within one year.

Withholding taxes payable consists of withholding taxes on compensation and expanded withholding taxes. These are normally settled within one (1) month.

## 12. Bonds Payable

On July 7, 2017, the Company issued fixed rate bonds with aggregate principal amount of ₱6.0 billion and term of five and a half (5.5) years from the issue date. The fixed rate is 5.05% per annum, payable quarterly in arrears starting October 7, 2017. As of March 31, 2022 and December 31, 2021, the outstanding balance of bonds payable amounted to ₱5,990.3 million and ₱5,987.0 million, respectively.

The bonds are redeemable at 100% of face value on maturity date, which is January 7, 2023, unless the Company exercises its early redemption option. Interest expense in 2021 which was capitalized relating to bonds payable amounted to nil.

Total interest expense charged to the consolidated statements of comprehensive income amounted to ₱75.7 million and ₱307.2 million in March 31, 2022 and December 31, 2021, respectively.

Unamortized debt issuance cost on bonds payable amounted ₱9.7 million and ₱ 13.0 million as of March 31, 2022 and December 31, 2021, respectively. Amortization of transaction costs included under "Interest and other financing charges" in the statement of comprehensive income amounted to ₱3.2 million for the three months ended March 31, 2022 and 2021.

The bonds require the Company to maintain a maximum debt-to-equity ratio of 2.33x; and minimum debt service coverage ratio of 1.1x. As of March 31, 2022, the Company is not in breach of any of these debt covenants.

## 13. Other Noncurrent Liabilities

*Security and other deposits*
Security and other deposits are applied to any outstanding obligations of the tenants at the end of the lease term or upon pre-termination.

The current and noncurrent portion of security and other deposits follows:

| | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Current portion | ₱130,599,597 | ₱96,987,598 |
| Noncurrent portion | 621,954,236 | 654,002,829 |
| | ₱752,553,833 | ₱750,990,427 |

## 14. Equity

Capital Stock, Additional Paid-in Capital and Deposit for Future Stock Subscription
Details of the Company's capital stock as of March 31, 2022 is as follow:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | Shares | Amount |
| *Authorized number of shares* | | | | |
| Balances at beginning of year | **14,263,698,000** | **7,131,849,000** | 4,000,000,000 | 2,000,000,000 |
| Increase in authorized capital stock (a) | – | – | **5,131,849,000** | **5,131,849,000** |
| Stock split | – | – | **5,131,849,000** | – |
| Balances at end of year | **14,263,698,000** | **7,131,849,000** | **14,263,698,000** | **7,131,849,000** |

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | Shares | Amount |
| *Issued and outstanding* | | | | |
| Balances at beginning of year | 4,892,777,994 | 2,446,388,997 | 2,326,853,336 | 1,163,426,668 |
| Issuance of new shares | | | 1,282,962,329 | 1,282,962,329 |
| Stock split | | | 1,282,962,329 | – |
| Balances at end of year | **4,892,777,994** | **2,446,388,997** | 4,892,777,994 | 2,446,388,997 |

On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Company, from ₱1.00 per share to ₱0.50, resulting in a stock split whereby every existing one (1) common share with par value of ₱1.00 each will become two (2) common shares with par value of ₱0.50 each. They further approved an amendment to the increase in authorized capital stock, from ₱2,000.0 million divided into 2,000.0 million common shares with a par value of ₱1.00 per share to ₱7,131.8 million divided into 14,263,698,000 common shares with a par value of ₱0.50 per share.

On March 12, 2021, FLI subscribed to 2,565.9 million common shares out of the Company's proposed amendment to the increase in authorized capital stock amounting to ₱3,746.3 million superseding FLI's subscription to the Company's shares on December 15, 2020. The Company submitted the application for the reduction of par value and the amendment to the increase in authorized capital stock with the SEC on March 18, 2021.

On July 2, 2021, these amendments have been approved by the SEC and the outstanding deposit for future stock subscription amounting to ₱1,889.6 million was applied against FLI's subscription to common stock. The Company recorded APIC amounting to ₱2,518.4 million, net of stock issuance costs. The Company incurred transaction costs incidental to the IPO that are directly attributable to the issuance or subscription of new shares amounting to ₱47.8 million in 2021.

As of March 31, 2022, there are 14,529 holders of security of the Company.

Retained Earnings
*Appropriation*
On December 4, 2020, the BOD approved the release of its previous appropriation from its retained earnings amounting to ₱6,300.0 million. This pertains to previous appropriations made to fund projects already completed or transferred, thus will not require any appropriations anymore.

*Declaration of Property Dividends*
On February 11, 2021, the BOD approved the declaration of the operational office buildings FLI Edsa, IT School,

Concentrix Building (Convergys Building) and Cebu Tower 2 as property dividends. The aggregate carrying value of the properties amounted to ₱1,690.4 million.

The distribution of these properties was made upon approval by the SEC on July 15, 2021.

*Declaration of Cash Dividends*
The following table shows the cash dividends declared by the Company's BOD on the outstanding capital stock:

| Declaration date | Record date | Dividend per common shares | Total dividends declared | Payment date |
|---|---|---|---|---|
| March 2, 2022 | February 15, 2022 | ₱0.112 | ₱547,991,135 | March 20, 2022 |
| August 31, 2021 | September 15, 2021 | 0.112 | 547,991,135 | September 30, 2021 |
| November 18, 2021 | December 3, 2021 | 0.112 | 547,991,135 | December 20, 2021 |
| July 19, 2019 | July 31, 2019 | 0.299 | 348,339,734 | June 30, 2020 |

After reconciling items, the Company's retained earnings available for dividend declaration as of March 31, 2022 and December 31, 2021 amounted to ₱853.2 million and ₱1,018.9 million, respectively.

The following table shows how the Company computes for its dividend per share:

| | 2022 | 2021 |
|---|---|---|
| a. Dividends | 547,991,135₱0 | ₱2,786,409,060 |
| b. Weighted average number of outstanding common shares | 4,892,777,994 | 3,514,911,602 |
| Dividends per share (a/b) | ₱0.11 | ₱0.79 |

*2021 Dividends per shares includes property dividend .*

Distributable Income under the IRR of REIT Act of 2009
Under the Revised Implementing Rules and Regulations of REIT Act of 2009, section 4c, the Company shall present a computation of its distributable dividend taking into consideration requirements under the provisions of the Act and the Rule. Distributable income is not a measure of performance under the PFRS. For the three months ended March 31, 2022 and year ended December 31, 2021 the distributable income amounts to ₱382.4 million and ₱1,855.1 million, respectively.

Capital Management
The Company's primary objective is to maintain its current sound financial condition and strong debt service capabilities, as well as to continuously implement a prudent financial management program. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. It closely monitors its capital and cash positions and carefully manages its capital expenditures. Furthermore, the Company may also, from time to time, seek other sources of funding, which may include debt or equity issues, depending on its financing needs and market conditions. The Company monitors capital using a debt-to-equity ratio, which is total long-term debt divided by total stockholders' equity. The Company includes within debt, interest-bearing loans and external borrowings whether in the form of long-term notes, bonds, and lease liabilities.
The following table shows how the Company computes for its debt-to-equity ratio:

| | **March 31, 2022** | **December 31, 2021** |
|---|---|---|
| Bonds payable | **₱5,990,283,712** | **₱5,987,044,949** |
| Lease liabilities | **27,958,171** | **27,838,182** |
| Loans payable | – | – |
| | **6,018,241,883** | **6,014,883,131** |
| Equity | **5,817,989,611** | **5,982,498,127** |
| Debt-to-equity ratio | **1.03:1** | **1.01:1** |

As a REIT entity, the Company is subject to externally imposed capital requirements from its debt covenants and based on the requirements of the Aggregate Leverage Limit under the REIT Implementing Rules and Regulations. Thus, the Company has made adjustments to its policies and processes for managing capital for the year ended December 31, 2021. Per Section 8 of the REIT Implementing Rules and Regulations issued by the SEC, the total borrowings and deferred payments of a REIT should not exceed thirty-five percent (35%) of its Deposited Property; provided, however, that the total borrowings and deferred payments of a REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency may exceed thirty-five percent (35%) but not more than seventy percent (70%) of its Deposited Property. Provided, further, that in no case shall a Fund Manager, borrow for the REIT from any of the funds under its management

As of December 31, 2021, the fair value of the deposited properties amounted to ₱52,379.5 million, resulting to a debt ratio of 11.4%. The Company is compliant to this Aggregate Leverage Limit.

## 15. Other Income

The account consists of:

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|---|---|---|
| Tenant dues | ₱205,187,947 | ₱230,777,384 |
| Service income | – | 36,136,395 |
| Miscellaneous | 7,076,934 | 3,958,579 |
| | ₱212,264,881 | ₱270,872,357 |

Miscellaneous income pertains to penalties and charges from tenants.

## 16. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

All material Related Party Transactions ("RPT") with a transaction value that reaches ten percent (10%) of the Company's total assets shall be subject to the review by the RPT Committee.

Transactions that were entered into with an unrelated party that subsequently becomes a related party shall be excluded from the limits and approval of the Policy on Related Party Transactions ("Policy"). However, any renewal, change in the terms and conditions or increase in exposure level, related to these transactions after a non-related party becomes a related party, shall subject it to the provisions of the Policy.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the Policy.

Outstanding balances as at March 31, 2022 1 are unsecured, interest free and require settlement in cash, unless otherwise stated. As of March 31, 2022, the Company has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant related party transactions are as follows.

| **Related Parties** | **Nature of Transaction** | **Value of the Transaction** | **Outstanding Balances as of March 2022** |
|---|---|---|---|
| East West Banking Corporation (affiliate) | Bank deposits | The Company maintains savings accounts and short-term deposits with East West Banking Corporation. Cash and cash equivalents earn interest at the prevailing short-term interest rates. | |
| Filinvest Land, Inc. | Contract of Lease for office space in Vector One (*Company as Lessor)* | Initial monthly rent of ₱600 per sq.m. per month, subject to an annual escalation of 5% starting on the second year. The contract is for a space of 3,269.6 sq.m. with four parking slots and a lease term of five years commencing on December 6, 2016 and ending on December 5, 2021. The contract was renewed for a period of 10 years commencing on December 6, 2021 and ending on December 5, 2031 with a headline rate of ₱785 per sq.m. per month, subject to annual escalation of 5% starting on the third year. | ₱986,755 |

| | | | |
|---|---|---|---|
| Filinvest Alabang, Inc. | Contract of Lease for office space in Vector One (*Company as Lessor)* | Initial monthly rent of ₱400 per sq.m. per month, subject to an annual escalation of 5% starting on the second year. The contract is for a space of 4,904.49 sq.m. The initial period of the contract was from April 1, 2011, ending on March 31, 2016. The contract was renewed with 71 parking slots for a period of five years commencing on April 1, 2016 and ending on March 31, 2021 with a headline rate of ₱600 per sq.m. per month, subject to annual escalation of 5% starting on the second year. The contract was renewed with reduced parking slots of 57 for another period of ten years commencing on April 1, 2021 and ending on March 31, 2031 with a headline rate of ₱785 per sq.m. per month, subject to annual escalation of 5% starting on the third year. The Company also charges maintenance and other utility charges. | ₱- |
| Filinvest Alabang Inc. | Contract of Lease for office space in Axis Tower 1 (*Company as Lessor)* | Initial monthly rent of ₱725 per sq.m. per month, subject to an annual escalation of 5% starting on the second year. The contract is for a space of 1907.02 sq.m. with seventeen (17) parking slots and lease term of five (5) years commencing on September 2, 2019 and ending on September 1, 2024. The Company also charges maintenance and other utility charges. | ₱- |
| Corporate Technologies, Inc. | Contract of Lease for office space in Filinvest Three (*Company as Lessor)* | Initial monthly rent of ₱700 per sq.m. per month, subject to an annual escalation of 5% starting on the second year. The contract is for a space of 292.22 sq.m. and lease term of five years commencing on November 15, 2018 and ending on November 14, 2023. The Company also charges maintenance and other utility charges. | ₱4,011,648 |
| Filinvest Hospitality Corporation | Contract of Lease for office space in Vector Two (*Company as Lessor)* | Initial monthly rent of ₱650 per sq.m. per month, subject to an annual escalation of 5% starting on the second year. The contract is for a space of 706.47 sq.m. with 4 parking slots and lease term of 10 years commencing on June 2, 2017 and ending on June 1, 2027. In April 1, 2020, additional 2 parking slots commencing on April 1, 2020 to June 1, 2027. The Company also charges maintenance and other utility charges. | ₱85,788 |
| Chroma Hospitality Inc. | Contract of Lease for office space in Vector Two | Initial monthly rent of ₱650 per sq.m. per month, subject to an annual escalation of 5% starting | ₱16,224 |

| | | | |
|---|---|---|---|
| | (*Company as Lessor)* | on the second year. The contract is for a space of 676.34 sq.m. with 10 parking slots and lease term of five years commencing on June 2, 2017 and ending on June 1, 2027. The Company also charges maintenance and other utility charges. | |
| Festival Supermall Inc. | Contract of Lease for office space in Vector Two (*Company as Lessor)* | Initial monthly rent of ₱650 per sq.m. per month, subject to an annual escalation of 5% starting on the second year. The contract is for a space of 251.99 sq.m. with 3 parking slots and lease term of 10 years commencing on June 2, 2017 and ending on June 1, 2027. The Company also charges maintenance and other utility charges. | ₱- |
| FDC Retail Electricity Sales, Corporation ("**FDC RES**") | Service agreement for electricity requirements of its facilities | The Company entered into a service agreement with FDC RES, an entity under common control, whereby the Company shall engage and pay the services rendered by the latter to provide the electricity requirements of its facilities. | ₱12,726,959 |
| Filinvest Land, Inc. | Land lease agreement over the land where the Properties are located (*Company as Lessee)* | 10% to 15% from the gross lease (depending on the FAR of the Property). The contract covers 60,660 sq.m. of land and is for a period of 50 years commencing on February 11, 2021 and expiring on February 10, 2071. The lease is renewable for another 25 years on the same terms and conditions except for the rental rate and other commercial terms subject to mutual agreement of the parties. | ₱20,623,292 |
| Filinvest Alabang, Inc. | Service agreement for general management services provided by Filinvest Alabang, Inc. to the Company | The agreement commenced on January 1, 2016, and terminated effective April 1, 2022. The fees payable are ₱600,000 per month for general and administrative services, subject to a 10% increase annually. FAI is also the provider of water services within the Filinvest City where majority of the buildings of the Company are located. | ₱2,888,827 |
| Philippine DCS Development Corporation ("**PDDC**") | Build-operate-transfer agreement between the Company and PDDC with respect to the district cooling system for Northgate Cyberzone | In accordance with the terms of Build Operate and Transfer (BOT) agreement between the Company and Philippine DCS Development Corporation (PDDC), the Company paid prepaid DCS connection charges to PDDC amounting to ₱248.9 million, to be consumed by | ₱37,817,914 |

| | | | |
|---|---|---|---|
| | | existing and future buildings within Northgate Cyberzone in Muntinlupa City over the service period of 20 years Monthly service charge at ₱1,761 per ton of refrigeration ("**TR**"). The term of the agreement is for 20 years, commencing from the start of operations. | |
| Corporate Technologies, Inc. | Service agreement for IT services provided by the Company. | The agreement commenced on January 1, 2019, and will continue until terminated by the written agreement of the parties. The fees paid by the Company comprise ₱142,975 per month for systems maintenance, ₱882.85/use per month for server hosting, and ₱8,987 per month for server configuration and support. | ₱- |
| Professional Operations and Maintenance Experts Incorporated (PROMEI) | Service agreement for the maintenance and repair of ventilation and air conditioning systems. | Base fee of ₱50 million per annum and paid in 12 equal monthly installments. The term of the agreement is for three years commencing on June 30, 2020, unless extended by mutual agreement of the parties. | ₱8,204,653 |
| ProOffice Works Services, Inc. | Service agreement for the property management fee | The Company shall engage and pay the services rendered by the latter to operate maintain, manage, and market each Property, subject to the overall management and directions of the Fund Manager. | ₱13,888,623 |
| FREIT Fund Manager, Inc. | Service agreement for the fund management fee | The Company shall engage and pay the services rendered by the latter to execute and implement the investment strategies for the Company. | ₱36,831,628 |

*Outstanding balances refer to payable to or receivable from related party as of March 31, 2022.*

Key Management Personnel

The key management functions of the Company are handled by FCI starting March 2021. For the year ended December 31, 2021 compensation of other key management personnel directly paid by the Company pertains to short-term employee benefit amounting ₱1.5 million.

**17. Impact of Covid 19**

The COVID 19 impacted the company's operations and business in terms of work stoppage whether full or partial. In addition to building operations, our construction projects were delayed. However, our office buildings continue to be operational 24/7 due to the requirements of our multinational BPO locators.

It has been noted that the BPO market is one of the most resilient industries that thrived during the pandemic. This is evidenced by new leases and 99% of renewals during the height of the pandemic.

To continuously ensure the health and safety, the Company has implemented various measures for the safety of its customers, tenants, suppliers, service providers and employees in compliance with the World Health Organization's and the Department of Health's guidelines on COVID-19. The Company has instituted the following measures to ensure safe operation of its Properties:

Screening and minimizing contacts

- Screening of all entrants to its facilities and buildings through temperature scanning. Persons with low-grade fever and up (including employees who must take a sick leave) will be politely refused entry.

- Limiting face-to-face contact through online service desks, call center and e-payments for suppliers. Online platforms for customer and supplier transactions were also used.

- Provision of shuttle services to employees from designated pick-up points to the Company's offices, and from the Company's offices to designated pick-up points to minimize external contacts.

Keeping Office Safe – Reducing Office Density

- Implementation of alternative work arrangements to minimize face-to-face encounters and reduce density within work spaces by cutting work force density to 50% through alternate shifting schedules.

- Strict adherence to self-quarantine protocols for employees who travelled. Implementation of "No ID, No Face Mask and Face Shield, No Entry" policy.

- Sanitation of all areas and provision of hygiene supplies in all areas such as alcohol, hand sanitizers, hand soap and facemasks. Disinfection of high traffic areas is done every hour.

- Employee education on COVID-19 through circulars on the disease and protocols to be followed. Nurses are onsite to provide assistance.

## 18. Financial Risk Exposures

The Company's financial instruments comprise of cash and cash equivalents, receivables, long-term debt, accounts payable and accrued expenses and security and other deposits. The main purpose of the long-term debt is to finance the Company's operations while all other financial instruments resulted from the conduct of business.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Company's risk management policies are summarized below:

a. *Interest rate risk*
The Company's exposure to market risk for changes in interest rates relates primarily to the Company's long-term debt. Interest rates are dependent on floating interest rates, subject to repricing as determined by the creditor bank during the term of the loan. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax.

| | Increase (decrease) in basis points | Effect on income before income tax/capitalized borrowing costs |
|---|---|---|
| March 31, 2022 | +100 | (₱0.00 million) |
| | -100 | ₱0.00 million |
| December 31, 2021 | +100 | (0.00 million) |
| | -100 | 0.00 million |

There is no impact on the Company's equity other than those already affecting the statements of comprehensive income.

b. *Credit risk*
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities, primarily for its trade receivables, and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which helps reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables.

With respect to credit risk arising from the other financial assets of the Company which comprise cash and cash equivalents, the Company's exposure to credit risk relates to default of the counterparty with a maximum exposure equal to the carrying amount of the instruments.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by market segment and collateral type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The credit risk exposure on the Company's lease receivables using a provision matrix results to ₱7.7 million expected credit loss for the year ended December 31, 2021. The expected credit loss rate has been set at 7.2% to 62.37% based on the historical collection pattern of the tenants. The loss given default rate is set at 9.1% to 79.96% in the calculation of impairment on the receivables net of security deposit and advance rent as these can be used to offset unpaid receivables.

In most cases, recoveries are higher than the amount of receivable at default. As of December 31, 2021, most of the Company's trade receivables are covered by security deposits and advances rentals. As of December 31, 2021, the Company's allowance for ECL on its trade receivables amounted to ₱7.7 million.
With respect to credit risk arising from cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the credit quality, based on the Company's credit rating system as of March 31, 20221 and December 31, 2021:

| | March 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | | | | |
| | High Grade | Standard Grade | Past Due but not Impaired | Past Due and Impaired | Total |
| Cash and cash equivalents* | ₱2,666,417,731 | ₱– | ₱– | ₱– | ₱2,666,417,731 |
| Receivables | 573,767,696 | – | 204,976,727 | 7,702,272 | 786,446,695 |
| | ₱3,240,185,426 | ₱– | ₱ 204,976,727 | ₱ 7,702,272 | ₱ 3,452,864,426 |

**Excludes cash on hand amounting to ₱343,000.*

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | | | | |
| | High Grade | Standard Grade | Past Due but not Impaired | Past Due and Impaired | Total |
| Cash and cash equivalents* | ₱2,586,852,631 | ₱– | ₱– | ₱– | ₱2,586,852,631 |
| Receivables | 638,129,010 | – | 116,866,623 | 7,702,272 | 762,697,905 |
| Deposits | 53,497,322 | – | – | – | 53,497,322 |
| | ₱3,278,478,963 | ₱– | ₱116,866,623 | ₱7,702,272 | ₱3,403,047,858 |

**Excludes cash on hand amounting to ₱343,000.*

The analysis of trade receivables which are past due but not impaired as of March 31, 2022 and December 31, 2021 follow:

| | Past Due but not Impaired | | | | | |
|---|---|---|---|---|---|---|
| | < 30 days | 30-60 days | 61-90 days | 91-120 days | >120 days | Total |
| March 31, 2022 | ₱42,643,676 | ₱37,547,727 | ₱6,208,519 | ₱6,531,454 | ₱112,045,352 | ₱204,976,727 |
| December 31, 2021 | ₱20,567,738 | ₱5,475,049 | ₱6,841,129 | ₱25,326,229 | ₱58,656,478 | ₱116,866,623 |

c. *Liquidity risk*

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Company's practice is that float will be kept at a minimum.

The tables below summarize the maturity profile of the Company's financial assets held to manage liquidity as at March 31, 2022 and December 31, 2021:

| | March 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **On demand** | **Within 1 year** | **> 1 – 3 years** | **> 3 – 5 Years** | **Over 5 years** | **Total** |
| **Cash and cash equivalents** | ₱ 2,666,417,731 | | ₱– | ₱– | ₱– | ₱2,666,417,731 |
| **Receivables** | 573,767,696 | 92,931,375 | 119,747,624 | – | – | 786,446,695 |
| | **₱ 3,240,185,426** | **₱ 92,931,375** | **₱ 119,747,624** | **₱–** | **₱–** | **₱ 3,452,864,426** |

| | December 31,2021 | | | | | |
|---|---|---|---|---|---|---|
| | **On demand** | **Within 1 year** | **> 1 – 3 years** | **> 3 – 5 Years** | **Over 5 years** | **Total** |
| **Cash and cash equivalents** | **₱515,722,841** | **₱2,071,472,790** | **₱–** | **₱–** | **₱–** | **₱2,587,195,631** |
| **Receivables** | **727,583,529** | **35,114,376** | **–** | **–** | **–** | **762,697,905** |
| **Deposits** | **–** | **–** | **–** | **–** | **53,947,321** | **53,947,321** |
| | **₱1,243,306,370** | **₱2,106,587,166** | **₱–** | **₱–** | **₱53,947,321** | **₱3,403,840,857** |

Maturity profile of the Company's financial liabilities, as at March 31, 2022 and December 31, 2021 is shown below (in thousands):

| | March 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **On demand** | **Up to a year total** | **> 1 – 3 years** | **> 3 – 5 Years** | **Over 5 years** | **Total** |
| Bonds payable | – | **6,000,000** | – | – | – | **6,000,000** |
| Lease liabilities | – | **1,917** | **4,127** | **4,550** | **60,306** | **70,901** |
| Interest on bonds* | – | **307,184** | – | – | – | **307,184** |
| Accounts payable and accrued expenses | **1,574,866** | – | – | – | – | **1,574,866** |
| Security and other deposits | **45,200** | **128,540** | **237,551** | **232,622** | **108,640** | **752,554** |
| | **1,620,066** | **6,437,641** | **241,678** | **237,172** | **168,946** | **8,705,505** |

*Includes future interest payable.

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **On demand** | **Up to a year total** | **> 1 – 3 years** | **> 3 – 5 Years** | **Over 5 years** | **Total** |
| Bonds payable | – | – | **6,000,000** | – | – | **6,000,000** |
| Lease liabilities | – | **1,894** | **1,989** | **4,281** | **63,199** | **71,363** |
| Interest on bonds* | – | **307,184** | **5,050** | – | – | **312,234** |
| Accounts payable and accrued expenses | **1,117,636** | – | – | – | – | **1,117,636** |
| Security and other deposits | – | **98,519** | **250,766** | **312,075** | – | **661,360** |
| | **1,117,636** | **407,597** | **6,257,805** | **316,356** | **63,199** | **8,162,593** |

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

*Results of operations for the three months ended March 31, 2022 compared to three months ended* March *31, 2021*

***Revenues and Income***

The Company's total revenues and income decreased by ₱157.6 million or 16.1% from ₱981.0 million for the three months ended March 31, 2021 to ₱823.4 million for the three months ended March 31, 2022.

The decline in total revenues was primarily due to the decrease in rental revenue by ₱99.0 million or 13.9% from ₱710.1 million for the three months ended March 31, 2021 to ₱611.2 million for the three months ended March 31, 2022, and the decrease in other income by ₱58.6 million or 21.6% from ₱270.9 million for the three months ended March 31, 2021 to ₱212.3

million for the three months ended March 31, 2022. Prior period revenues include those generated from assets transferred already to FLI.

***Cost and Expenses***
The Company's consolidated costs and expenses decreased by ₱47.4 million or 11.4% from ₱416.8 million for the three months ended March 31, 2021 to ₱369.4 million for the three months ended March 31, 2022, primarily due to decrease in utilities expenses, rental expenses, and manpower and repairs.

The Company's utilities expenses decreased by ₱13.6 million, or 20.0%, to ₱54.1 million for the three months ended March 31, 2022 compared to ₱67.7 million for the three months ended March 31, 2021. The decrease in utilities expenses was mainly due to transfer of some projects of the Company to FLI.

The Company's depreciation and amortization expenses decreased by ₱22.4 million, or 18.4%, to ₱99.4 million for the three months ended March 31, 2022 compared to ₱121.8 million for the three months ended March 31, 2021. The decrease was caused by the transfer of some projects of the Company to FLI.

The Company's rental expense decreased by ₱1.8 million, or 2.8%, to ₱63.9 million for the three months ended March 31, 2022 compared to ₱65.7 million for the three months ended March 31, 2021. The decrease was primarily due to lower rent on the land lease with FLI which is based on a percentage of the Company's rent revenues. Also, lower rental expense due to transfer of some projects of the Company to FLI.

The Company's taxes and licenses expenses decreased by ₱13.8 million, or 42.4%, to ₱18.7 million for the three months ended March 31, 2022 compared to ₱32.5 million for the three months ended March 31, 2021. The decrease was mainly due to to lower real property tax in year 2022 as a result of the decrease in investment properties.

The Company's service and management fees increased by ₱42.9 million, or 345.2%, to ₱55.3 million for the three months ended March 31, 2022 compared to ₱12.4 million for the three months ended March 31, 2021. The increase was mainly due to higher Property and Fund Management fee.

The Company's manpower and service cost decreased by ₱10.3 million, or 19.4%, to ₱42.8 million for the three months ended March 31, 2022 compared to ₱53.1 million for the three months ended March 31, 2021. The decrease was due to transfer of the Company's employees to another affiliate. The Company will just outsource its admin and accounting services.

The Company's repairs and maintenance decreased by ₱20.5 million, or 39.7%, to ₱31.3 million for the three months ended March 31, 2022 compared to ₱51.8 million for the three months ended March 31, 2021. The decrease was mainly due to transfer of some projects of the Company to FLI.

The Company's insurance decreased by ₱8.8 million, or 94.9%, to ₱0.5 million for the three months ended March 31, 2022 compared to ₱9.2 million for the three months ended March 31, 2021. The decrease was mainly due to transfer of some projects of the Company to FLI.

**Other income (charges)**
The Company's gain on derecognition of lease liabilities was nil as of March 31, 2022 and ₱85.2 million for the three months ended March 31, 2021.

The Company's interest income increased by ₱7.2 million, or 1043.5%, to ₱7.9 million for the three months ended March 31, 2022 compared to ₱0.7 million for the three months ended March 31, 2021. The increase was mainly due to higher interest income from marketable securities.

The Company's interest expense and other financing charges decreased by ₱25.8 million, or 24.5%, to ₱79.6 million for the three months ended March 31, 2022 compared to ₱105.3 million for the three months ended March 31, 2021. The decrease of interest expense was mainly due to the assignment of all Company's bank loans to FLI.

**Income before Income Tax**
The Company's income before income tax for the three months ended March 31, 2022 was ₱382.4, a decrease of ₱161.4 or 29.7%, from its income before income tax of ₱543.7 million recorded for the three months ended March 31, 2021.

**Provision for (benefit from) Income Tax**
The Company's provision for income tax was nil for the three months ended March 31, 2022, and provision for income tax of ₱146.1 million for the three months ended March 31, 2021. The benefit mainly arose from the REIT listing of the Company.

**Net Income**
As a result of the foregoing, net income decreased by 40.2% or ₱256.8 million from ₱639.1 million for the three months ended March 31, 2021 to ₱382.4 million for the three months ended March 31, 2022.

*Financial Condition as of March 31, 2022 compared to as of December 31, 2021*

The Company's assets were ₱14,163.7 million as of March 31, 2022, an increase of ₱191.5 million, or 1.4%, from assets of ₱13,972.2 million as of December 31, 2021.

Assets

*Cash and cash equivalents*
The Company's cash and cash equivalents were ₱2,666.8 million as of March 31, 2022, an increase of ₱79.6 million, or 3.1%, from cash and cash equivalents of ₱2,587.2 million as of December 31, 2021. The increase was mainly from collection from tenants.

*Receivables*
The Company's receivables were ₱808.2 million as of March 31, 2022, an increase of ₱53.2 million, or 7.0%, from receivables of ₱755.0 million as of December 31, 2021. The increase was mainly due to current quarter billings.

*Other current assets*
The Company's other current assets were ₱140.3 million as of March 31, 2022, an increase of ₱76.2 million, or 119.0%, from other current assets of ₱64.1 million as of December 31, 2021. Increase is due to prepaid taxes to be amortized for the year.

*Advances to contractors*
The Company's advances to contractors were ₱11.2 million as of March 31, 2022, a decrease of ₱2.1 million, or 15.8%, from advances to contractors of ₱13.3 million as of December 31, 2021.The decrease is due to transfer of projects to FLI.

*Investment properties*
The Company's investment properties were ₱9,153.7 million as of March 31, 2022, a decrease of ₱12.2 million, or 0.1%, from investment properties of ₱9,165.9 million as of December 31, 2021. The decrease is due to the transfer of some assets to FLI.

*Property and equipment*
The Company's property and equipment were ₱83.7 million as of March 31,, 2022, an increase of ₱2.1 million, or 2.5%, from property and equipment of ₱81.7million as of December 31, 2021, due to additional purchases of machinery and equipment.

*Intangible assets*
The Company's intangible assets comprising BTO rights and the right-of-use assets from such BTO and land lease arrangements were ₱1,052.0 million as of March 31, 2022, a decrease of ₱2.4 million, or 0.2%, from intangible assets of ₱1,054.5 million as of December 31, 2021. The decrease is due to the transfer of Cebu Towers 2-4 to FLI.

*Other noncurrent assets*
The Company's other noncurrent assets were ₱247.7 million as of March 31, 2022, a decrease of ₱2.8 million, or 1.1%, from other noncurrent assets of ₱250.5 million as of December 31, 2021, primarily due to transfer of DCS connection charges related to properties transferred to FLI.

Liabilities

The Company's liabilities were ₱8,345.7 million as of March 31, 2022, an increase of ₱357.1 million, or 4.5%, from liabilities of ₱7,988.5 million as of December 31, 2021.

*Accounts payable and accrued expenses*
The Company's accounts payable and other current liabilities were ₱1,574.9 million as of March 31, 2022, a increase of ₱352.2 million, or 28.8%, from accounts payable and other current liabilities of ₱1,222.7 million as of December 31, 2021, primarily due to transfer of accounts pertaining to the transferred assets such as advances from tenants retention payable.

*Lease liabilities – current portion*
The Company's lease liabilities – current portion were ₱1.9 million as of March 31, 2022, a decrease of ₱0.01 million, or 3.7%, from lease liabilities – current portion of ₱1.8 million as of December 31, 2021 due to derecognition of lease liabilities for the properties in Northgate Cyberzone per the Contract of Lease as amended on February 11, 2021.

*Security and other deposits – current portion*
The Company's Security and other deposits were ₱130.6 million as of March 31, 2022, a increase of ₱33.6 million, or 33.6%, from Security and other deposits of ₱97.0 million as of December 31, 2021, primarily due to transfer of accounts such as deposits and construction bond from tenants, which are related to transferred projects to FLI.

*Bonds payable*
The Company's bonds payable was ₱5,990.3 million as of March 31, 2022, an increase of ₱3.2 million, or 0.1%, from bonds payable of ₱5,987.0 million as of December 31, 2021 due to accretion of bond issuance costs.

*Capital stock and additional paid-in capital*

The Company's Capital stock and additional paid-in capital were ₱4,964.7 million as of March 31, 2022 and December 31, 2021.

*Performance Indicators*

| **Financial Ratios** | **Particulars** | **Period ended March 31, 2022** | **Period ended Dec. 31, 2021** |
|---|---|---|---|
| Earnings per Share | Net Income / Weighted Ave. number of outstanding shares | 0.08 | 0.53 |
| Current Ratio | Current Asset / Current Liabilities | 0.47: 1 | 2.58: 1 |
| Debt Ratio | Total liabilities / Total assets | 0.59: 1 | 0.57: 1 |
| Debt to Equity Ratio | Long Term Debt / Total Stockholder's Equity | 1.03: 1 | 1.01: 1 |
| Income before income tax, interest and other financing charges, depreciation and amortization (IBITDA) to total interest paid | IBITDA / Total interest paid | 7.25: 1 | 7.84: 1 |
| Quick Asset Ratio | Current assets – Inventories / Current liabilities | 0.47: 1 | 2.58: 1 |
| Solvency ratio | Net Income + Depreciation / Total liabilities | 0.06: 1 | 0.29: 1 |
| Interest coverage ratio | Income before income tax(IBIT) + interest and other financing charges / interest and other financing charges | 6.33: 1 | 6.01: 1 |
| Net profit margin | Net Income / Revenue | 0.46: 1 | 0.54: 1 |
| Return on equity | Net Income / Total equity | 0.07: 1 | 0.31: 1 |

As of March 31, 2022, the fair value of the deposited properties amounted to P52,505.2 million resulting to a debt ratio of 11.4%.

The Net Asset Value per share is calculated by dividing the adjusted NAV by the total outstanding shares of 4,892,777,994. The adjusted NAV is equal to total assets plus fair value adjustment of deposited properties and investible funds held less total liabilities resulting to NAV amount of 44,159.6 million. NAV per share is 9.03. The NAV per share as of December 31, 2021 is 9.07.

## PART II - OTHER INFORMATION

### Item 3. Business Development/New Projects

FILRT is one of the first companies to operate as a major BPO-centric lease provider outside Makati, Bonifacio Global City, and Ortigas., FILRT developed buildings on the land owned by FLI in Alabang, Muntinlupa City which is part of the established Northgate Cyberzone, an 18.7-hectare PEZA-registered IT Park.

A PEZA-registered IT Park, as defined by PEZA, is an area that has been developed into a complex capable of providing infrastructures and other support facilities required by IT Enterprises, as well as amenities required by professionals and workers involved in IT Enterprises, who will have easy access to such amenities. The combined competitive advantage of its location and the benefits of its PEZA registration attracted BPO companies to lease office spaces in Northgate Cyberzone. FILRT continually provides world class, environmentally sustainable and efficient leasing facilities and services to various clients.

On July 2, 2021, SEC approved and issued to the Company its certificate of filing of amended articles of incorporation to change its primary purpose to engage in the business of a real estate investment trust (REIT). As part of its transformation to become a REIT company, certain assets are selected to remain in the company as income generating real estate (IGRE) and some buildings that primarily do not qualify to become REIT assets are transferred to its company FLI.

As of March 3, 2021, the Company has seventeen (17) fully operational office buildings with stable income streams that have been identified to remain in the company, that has been transformed to be a REIT.

***Summary Information for Axis Tower 1, Filinvest One, Filinvest Two, Filinvest Three, Vector One, Vector Two, and Vector Three (As of end of March 2022)***

| | **Axis Tower 1** | **Filinvest One** | **Filinvest Two** | **Filinvest Three** | **Vector One** | **Vector Two** | **Vector Three** |
|---|---|---|---|---|---|---|---|
| **Year Completed** | March 2018 | June 2013 | September 2015 | January 2015 | May 2011 | September 2014 | January 2017 |
| **Description** | Grade A, LEED Gold and PEZA-accredited, office building | Grade A, PEZA-accredited, office building | Grade A, PEZA-accredited, office building | Grade A, PEZA-accredited, office building | Grade A, PEZA-accredited, office building | Grade A, PEZA-accredited, office building | Grade A, LEED Gold and PEZA-accredited, office building |
| **Location** | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang |
| **GLA (Office) in sq.m.** | 39,340 | 19,637 | 23,784 | 23,784 | 17,764 | 17,889 | 36,345 |
| **GLA (Retail) in sq.m.** | 1,529 | — | — | — | — | — | — |
| **Occupancy Rate as of March 31, 2022** | 89% | 100% | 100% | 45% | 100% | 100.0% | 68% |
| **Rental Income (in millions)** | 81.0 | 44.9 | 51.5 | 19.7 | 39.6 | 36.0 | 55.3 |
| **Right over Building** | Owned | Owned | Owned | Owned | Owned | Owned | Owned |
| **Right over Land** | Leased from the Sponsor | Leased from the Sponsor | Leased from the Sponsor | Leased from the Sponsor | Leased from the Sponsor | Leased from the Sponsor | Leased from the Sponsor |
| Land Lease | February 2096 | February 2096 | February 2096 | February 2096 | February 2096 | February 2096 | February 2096 |
| **Remaining Term (years) for Land Lease (as of March 31, 2022)** | 73.9 | 73.9 | 73.9 | 73.9 | 73.9 | 73.9 | 73.9 |
| **Valuation (₱ millions) (based on Asian Appraisal's valuation report as of March 31, 2021)** | 6,442.0 | 3,423.3 | 4,180.0 | 3,716.1 | 2,768.8 | 3,134.1 | 6,053.1 |

***Summary Information for Plaza A, Plaza B, Plaza C, Plaza D and Plaza E (As of end of March 2022)***

| | **Plaza A** | **Plaza B** | **Plaza C** | **Plaza D** | **Plaza E** |
|---|---|---|---|---|---|
| **Year Completed** | October 2007 | March 2001 | March 2001 | June 2007 | February 2014 |

| | | | | | |
|---|---|---|---|---|---|
| **Description** | Grade A, PEZA-accredited, office building | Grade A, PEZA-accredited, office building | Grade A, PEZA-accredited, office building | Grade A, PEZA-accredited, office building | Grade A, PEZA-accredited, office building |
| **Location** | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang |
| **GLA (Office) in sq.m.** | 10,860 | 6,488 | 6,540 | 10,860 | 14,859 |
| **GLA (Retail) in sq.m.** | — | — | — | — | — |
| **Occupancy Rate as of March 31, 2022** | 100.0% | 75%[1] | 100.0% | 83% | 100.0% |
| **Rental Income (in millions)** | 22.7 | 10.8 | 13.1 | 20.5 | 35.3 |
| **Right over Building** | Owned | Owned | Owned | Owned | Owned |
| **Right over Land** | Leased from the Sponsor | Leased from the Sponsor | Leased from the Sponsor | Leased from the Sponsor | Leased from the Sponsor |
| **Land Lease Expiry** | February 2096 | February 2096 | February 2096 | February 2096 | February 2096 |
| **Remaining Term (years) for Land Lease (as of March 31, 2022)** | 73.9 | 73.9 | 73.9 | 73.9 | 73.9 |
| **Valuation (₱ millions) (based on** Asian Appraisal**'s valuation report as of March 31, 2021)** | 1,655.0 | 893.4 | 1,034.4 | 1,483.1 | 2,421.0 |

***Summary Information for iHub1, iHub2, 5132 Building, Capital One and Cebu Tower 1 (As of end of March 2022)***

| | **iHub1** | **iHub2** | **5132 Building** | **Capital One** | **Cebu Tower 1** |
|---|---|---|---|---|---|
| **Year Completed** | June 2008 | August 2009 | November 2007 | October 2005 | June 2015 |
| **Description** | Grade A, PEZA-accredited, office building | Grade A, PEZA-accredited, office building | Grade A, PEZA-accredited, office building | Grade A, PEZA-accredited, office building | Grade A, PEZA-accredited, office building |
| **Location** | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang | Northgate Cyberzone, Alabang | Salinas Drive, Cebu City |
| **GLA (Office) in sq.m.** | 9,480 | 14,181 | 9,409 | 18,000 | 19,937 |
| **GLA (Retail) in sq.m.** | — | — | — | — | 675 |
| **Occupancy Rate as of March 31, 2022** | 60% | 100% | 100.0% | 100.0% | 99% |
| **Rental Income (in millions)** | 12.6 | 31.1 | 20.7 | 45.5 | 39.6 |
| **Right over Building** | Owned | Owned | Owned | Owned | BTO arrangement with Cebu Provincial Government |
| **Right over Land** | Leased from the Sponsor | Leased from the Sponsor | Leased from the Sponsor | Leased from the Sponsor | BTO arrangement with Cebu Provincial Government |
| **Land Lease Expiry** | February 2096 | February 2096 | February 2096 | February 2096 | November 2043 |

| | | | | | |
|---|---|---|---|---|---|
| **Remaining Term (years) for Land Lease (as of March 31, 2022)** | 73.9 | 73.9 | 73.9 | 73.9 | 21.7 |
| **Valuation (₱ millions) (based on Asian Appraisal's valuation report as of March 31, 2021)** | 1,449.0 | 2,335.6 | 1,442.9 | 2,997.8 | 3,117.7 |

As of end March 2022, thirteen (13) out of seventeen (17) buildings are connected to a District Cooling system (DCS), owned and operated by PDDC, a 60% subsidiary of FLI. The DCS plant supplies chilled water for the provision of cooling energy to the aforementioned buildings of FILRT within Northgate Cyberzone. Through the DCS, the air conditioning and cooling systems of some of the existing and upcoming buildings in Northgate Cyberzone are now centralized, and providing a more reliable and greener source of air conditioning for FILRT's locators.

GLA refers to Gross leasable areas of the buildings for office and retail tenants. Occupancy rate refers to ongoing contract of leases including signed letter of intent.

**Item 4. Other Disclosure**

A. The Company's common shares were listed in the Philippine Stock Exchange on August 12, 2021. Public Ownership as of March 31, 2022 is at 34.74%.
B. On April 20, 2022, the Board of Directors of FILRT approved the dividend declaration to all stockholders amounting to Php0.116 per outstanding common share. The amount is equivalent to an annualized yield of 6.6% or a quarterly yield of 1.65%. This is in line with the annualized dividend yield forecast for 2022 in its REIT Plan based on its IPO price of Php7.00 per share.
C. There are no new projects or investments as of March 31, 2022.
D. There are no contracts of merger, consolidation, or joint venture; contract of management, licensing, marketing, distributorship, technical assistance, or similar agreements.
E. There are no new financing through loans / issuances, repurchases, and repayments of debt and equity securities.
F. There are no material events subsequent to the interim period that have not been reflected in the financial statements for the interim period.
G. The Company has no material contingent financial obligations.
H. Except as disclosed in the Notes to the Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, there are no unusual items and material changes from period to period affecting assets, liabilities, equity, net income or cash flows for the interim period.
I. The Company does not have any contingent liability of borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.
J. The Company has no knowledge of any material off-balance sheet transactions, arrangements, obligations and other relationships to the Company with unconsolidated entities or other persons created during the reporting period that would address the past and would have material impact on future operations.
K. Capital expenditures for 2022 is for upkeep, upgrade, and refurbishment of the Company's properties. These will be funded through the Company's cash from operating activities.
L. The performance of the Company and its industry is interconnected to the performance and state of the Philippine economy as a whole particularly the BPO industry. Being focused on a specific group of clients, the office space leasing segment and the Company are very much affected by the same trends and factors which affect the BPO industry. While the company's intention is to focus on BPOs, it can shift to other business classes such as traditional office and new emerging business trends, when necessary. The company is also not dependent a single tenant or group of tenants.
M. There are no significant elements of income or loss that did not arise from continuing operations

**FILINVEST REIT CORP. (FORMERLY CYBERZONE PROPERTIES, INC.)**

Aging of Receivables
As of March 31, 2022

| | Current | 1-30 days | 31-60 days | 61-90 days | >120 days | Total |
|---|---|---|---|---|---|---|
| Trade Receivables | 573,767,696 | 42,643,676 | 37,547,727 | 6,208,519 | 118,576,806 | 778,744,423 |
| Others | 29,458,904 | - | - | - | - | 29,458,904 |
| Total | 603,226,599 | 42,643,676 | 37,547,727 | 6,208,519 | 118,576,806 | 808,203,327 |

Trade receivables represent charges to tenants for rentals and utilities normally collectible within a year.

Other Receivables represent claims from other parties arising from the ordinary course of business. It also includes advances for expenses/loans made by the Company in favor of its officers and employees.

Normal Operating Cycle: 12 calendar months

**FILINVEST REIT CORP. (FORMERLY CYBERZONE PROPERTIES, INC.)**
**SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AND 68.1 AS AMENDED**
**March 31, 2022**

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Company. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Marketable Securities (Current Marketable Equity Securities and Other Short Term Cash Investments)

As of March 31, 2022, the Company has Philippine Long Distance Telephone Company, Inc. (PLDT) shares amounting to ₱ 2,000 and short-term deposits amounting to ₱2,129,419,313 reported under Current Assets on the Company’s Statements of Financial Position.

Schedule B. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stocks, and Other Investments

As of March 31, 2022, the Company has no non-current marketable equity securities, other long-term investments in stocks, and other investments.

Schedule C. Intangible Asset

As of March 31, 2022, the Company’s intangible asset consists of Build Transfer Operate (BTO) rights which pertains to the cost related to the BTO agreement with the Cebu Province entered into on March 26, 2012.

| | **2022** | **2021** |
|---|---|---|
| BTO rights | ₱1,052,044,098 | ₱1,054,470,180 |

Under the BTO agreement, the Company is committed to develop and construct a BPO Complex on the properties owned by Cebu Province located at Salinas, Lahug, Cebu City, and transfer the ownership of the BPO Complex to the Cebu Province upon completion, in exchange for the right to operate and manage the BPO Complex for the entire term of the agreement and its renewal (25 years, renewable for another 25 years upon mutual agreement of the parties). The BTO project comprises of four (4) towers and first two towers have been completed, and the other two are under construction.

On February 11, 2021, the BOD approved the transfer of Cebu Towers 3 and 4 to FLI by way of assignment of right to manage and operate. FLI will compensate the Company at a consideration equivalent to the cost of the properties upon assignment. On March 31, 2021, FILRT and FLI executed deed of assignment for the transfer of the properties. Hence, the cost of these properties, including the related right-of use assets and lease liabilities, were derecognized.

In July 2, 2021, the SEC approved the change in the purpose of the company to be a real estate investment trust, and as such will continue to own the first tower under this BTO agreement, while the Towers 2, 3 and 4, which still do not qualify to become REIT assets are transferred to the company FLI.

Schedule D. Long term debt

Below is the schedule of long-term debt of the Company (in thousands):

| Type of Obligation | Amount | Current | Noncurrent |
|---|---|---|---|
| This is a 5.5-year bond issued on July 7, 2016 with a fixed interest rate of 5.0496% per annum payable quarterly. The principal bonds payable is P6 billion maturing on 2023<br>The bonds shall be repaid at maturity at par or 100% of face value | 5,990,284 | 5,990,284 | |
| | ₱5,990,284 | ₱5,990,284 | ₱ |

The Company's long-term debts are unsecured and no assets are held as collateral for these debts. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio and interest coverage ratio.

The agreements also provide for restrictions and requirements with respect to, among others, making substantial change in present management and ownership structure; acquisition of any shares of stock; sale, lease or transfer and disposal of all or a substantial part of its assets, except in the ordinary course of business; and entering into any merger, consolidation or reorganization.

As of March 31, 2022, the Company has not been cited as in default on its outstanding loan obligations.

Schedule E. Indebtedness to Related Parties (Short-Term Loans from Related Companies)

As of March 31, 2022, the Company does not have advances from its related parties.

Schedule F. Guarantees of Securities of Other Issuers
The Company does not have guarantees of securities of other issuers as of March 31, 2022.

Schedule G. Capital Stock

| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Directors, Officers and Employees | Others |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| Common Shares | 14,263,698 | 4,892,778 | – | 3,192,116 | 7 | None |

Schedule H. Supplementary Schedule of Bond Issuances – Securities offered to the public

**FILINVEST REIT CORP. (FORMERLY CYBERZONE PROPERTIES, INC.)**

**SUPPLEMENTARY SCHEDULE OF BOND ISSUANCES - SECURITIES OFFERED TO THE PUBLIC**
**MARCH 31, 2022**

| | 2022<br>6 Billion Bond |
|---|---|
| Expected gross and net proceeds as disclosed in the prospectus | |
| Gross Proceeds | ₱6,000,000,000 |
| Less: Expenses | 68,308,996 |
| Net Proceeds | ₱5,931,691,004 |
| | |
| Actual gross and net proceeds | ₱6,000,000,000 |
| Less: Expenses | 70,166,033 |
| Net Proceeds | ₱5,929,833,967 |
| | |
| Expenditure items where the proceeds were used | |
| Project Development | ₱5,929,833,967 |
| Land Acquisition | - |
| Investment Property | - |
| Debt refinancing | - |
| Net Proceeds | ₱5,929,833,967 |
| | |
| Balance of the proceeds as of March 31, 2022 | |
| Net Proceeds | ₱5,929,833,967 |
| Capital Expenses | ₱5,929,833,967 |
| Debt refinancing | - |
| Net Proceeds | ₱- |

Schedule I. Unappropriated Retained Earnings Available for Dividend Distribution

**FILINVEST REIT CORP. (FORMERLY CYBERZONE PROPERTIES, INC.)**
**CONSOLIDATED UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION**

| | | |
|---|---|---|
| **Retained Earnings, January 1, 2022** | | ₱1,018,879,536 |
| Less: Deferred tax assets as of December 31, 2021 | | |
| **Retained Earnings, as adjusted to amount available for dividend declaration, beginning** | | 1,018,879,536 |
| **Net income based on the face of unaudited financial statements** | 382,355,291 | |
| Less: Non-actual/unrealized income net of tax | | |
| Equity in net income of subsidiaries and associates | – | |
| Unrealized foreign exchange gain – net | – | |
| Unrealized actuarial gain | – | |
| Fair value adjustment (marked-to-market gains) | – | |
| Fair value adjustment of Investment Property resulting to gain | – | |
| Adjustment due to deviation from PFRS/GAAP gain | – | |
| Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS | – | |
| Add: Non-actual/unrealized losses net of tax | | |
| Depreciation on revaluation increment | – | |
| Adjustment due to deviation from PFRS/GAAP loss | – | |
| Loss on fair value adjustment of Investment Property | – | |
| Movement in deferred tax assets | – | |
| **Net income actually earned during the period** | | 382,355,291 |
| Add (less): | | |
| Cash Dividend declaration during the period | | (547,991,135) |
| **Unappropriated Retained Earnings, as adjusted, March 31, 2022** | | ₱853,243,692 |

# Part III - STATUS OF IMPLEMENTATION OF THE REINVESTMENT PLAN

FILINVEST
LAND, INCORPORATED

79 EDSA, Highway Hills, Mandaluyong City
Metro Manila 1000, Philippines
Trunk Line: (632) 7918-8188
Customer hotline: (632) 8588-1688
www. filinvestland.com

April 18, 2022

**THE PHILIPPINE STOCK EXCHANGE**
Philippine Stock Exchange Plaza
6th Floor, PSE Tower
Bonifacio Global City, Taguig

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: 2022 First Quarter Progress Report on the Disbursement of Proceeds from theInitial Public Offering ("IPO") of Filinvest REIT Corp. ("FILRT")

Dear Ms. Encarnacion,

We are pleased to submit our Progress Report on the Application of Proceeds for the First Quarter of 2022, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

Please be advised that as of March 31,2022, the remaining balance of the proceeds from the FILRT IPO amounts to Seven Billion Six Hundred Seventy Three Million Eight Hundred Sixteen Thousand Seven Hundred Twenty Nine Pesos and Sixteen Centavos (Php 7,673,816,729.16).

The details of the disbursements on the First Quarter of 2022 are as follows:

| | |
|---|---|
| Balance of IPO Proceeds as of December 31, 2021 | 9,690,495,332.78 |
| Disbursement for Transaction Costs | 0 |
| Net Available for Reinvestment | 9,690,495,332.78 |
| Disbursements from January 1 to March 31, 2022 (Annex A) | (2,016,678,603.62) |
| Balance of IPO Proceeds as of March 31, 2022 | 7,673,816,729.16 |

Thank you.

Very truly yours,

ANA VENUS A. MEJIA
Chief Finance Officer

**ACKNOWLEDGMENT**

**REPUBLIC OF THE PHILIPPINES )**

**CITY OF MANDALUYONG ) S.S.**

I certify that on APR 18 2022, before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

| | Competent Evidence of Identity | Date / Place Issued |
|---|---|---|
| **Filinvest Land, Inc.** *Represented by:* | TIN: | |
| **Ana Venus Mejia** | Unified Multi Purpose ID CRN – 0003-8766880-6 | |

who were identified by me through competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-21 UNTIL DECEMBER 31, 2022
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
ROLL NO. 53970
PTR NO. 4864924; 1-3-22; MANDALUYONG
MCLE COMPLIANCE NO. VII 0010250 14 APRIL 2025
UG03 CITYLAND SHAW TOWER,
SHAW BLVD. MANDALUYONG CITY

Doc. No. 485;
Page No. 99;
Book No. II;
Series of 2022.

FILINVEST LAND, INC.

79 EDSA, Highway Hills
Mandaluyong City, Metro Manila
Trunk line: (632) 918-8188
Customer hotline: (632) 588-1688
Fax number: (632) 918-8189
www.filinvestland.com

**ANNEX A- Disbursements from January 1, 2022 to March 31, 2022**

| Project Name | Disbursing Entity | 1Q2022 |
|---|---|---|
| Axis Three | Filinvest Land, Inc. | 21,065,130.42 |
| Axis Four | Filinvest Land, Inc. | 1,320,093.34 |
| Cebu Tower 3 | Filinvest Land, Inc. | 128,968,351.88 |
| Cebu Tower 4 | Filinvest Land, Inc. | 50,637,489.65 |
| Marina Town | Filinvest Land, Inc. | 12,011,889.19 |
| Columna | Filinvest Land, Inc. | 96,100,851.74 |
| 387 Gil Puyat | Filinvest Cyberparks Inc | 66,959,998.93 |
| 4Workplus | Filinvest Cyberzone Mimosa Inc | 9,810,967.99 |
| 7 Workplus | Filinvest Cyberzone Mimosa Inc | 18,836,440.17 |
| PDDC | Phil. DCS Development Corp. | 2,817,391.47 |
| Marina Town Mall | Filinvest Land | 31,902,570.02 |
| Clark Lifestyle Mall | Filinvest Cyberzone Mimosa Inc | 82,172,567.72 |
| Panglao Oasis | Filinvest Land, Inc. | 121,859,261.08 |
| Alta Spatial | Filinvest Land, Inc. | 93,889,560.27 |
| Verde Spatial | Filinvest Land, Inc. | 44,821,866.18 |
| Bali Oasis | Filinvest Land, Inc. | 62,634,113.34 |
| Belize Oasis | Filinvest Land, Inc. | 65,773,456.19 |
| Raw Land | Filinvest Land, Inc. | 585,339,197.28 |
| Dreambuilders capex | Filinvest Land, Inc. | 519,757,406.76 |
| TOTAL | | 2,016,678,603.62 |

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

# AGREED-UPON PROCEDURES REPORT ON QUARTERLY PROGRESS/ANNUAL SUMMARY REPORT ON USE OF PROCEEDS FROM THE LISTING OF FILINVEST REIT CORP.

**Ms. Ana Venus A. Mejia**
**First Senior Vice President and Chief Financial Officer**
**Filinvest Land, Inc.**
**Filinvest Building, 79 EDSA, Highway Hills**
**Mandaluyong City 1550, Metro Manila**

## Purpose of this Agreed-upon Procedures Report

We have performed the procedures which were agreed to by Filinvest Land, Inc. (the "Company") solely to assist you in complying with the requirements of the Philippine Stock Exchange ("PSE") in relation to the Quarterly Progress Report for the period from January 1, 2022 to March 31, 2022 on the use of proceeds from the initial public offering ("IPO") of the shares of Filinvest REIT Corp. ("FILRT") ("Subject Matter). Accordingly, this may not be suitable for another purpose.

## Restriction on Use

This agreed-upon procedures report ("AUP Report") is intended solely for the information and use of the Company and the PSE and is not intended to be and should not be used by anyone else.

## Responsibilities of the Company

The Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Company is responsible for the Subject Matter on which the agreed-upon procedures are performed. The sufficiency of these procedures is solely the responsibility of the Company.

## Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Philippine Standard on Related Services (PSRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness or the sufficiency of the agreed-upon procedures described below either for the purpose for which this AUP Report has been requested or for any other purpose.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

**Professional Ethics and Quality Control**

In performing the Agreed-Upon Procedures engagement, we complied with the ethical requirements in the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics). We are not required to be independent for the purpose of this engagement. We are the independent auditor of the Company and complied with the independence requirements of the Code of Ethics that apply in context of the financial statement audit.

Our firm applies Philippine Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Procedures and Findings**

We have performed the procedures described below, which were agreed upon with the Company in the terms of engagement dated April 13, 2022, on the Subject Matter.

1. We obtained the Quarterly Progress Report on Use of Proceeds from the IPO of FILRT for the period from January 1, 2022 to March 31, 2022 (the "Progress Report") and checked the mathematical accuracy of the Progress Report. No exceptions were noted.

2. We compared the disbursements in the Progress Report to the list of disbursements for the period from January 1, 2022 to March 31, 2022 (the "Disbursement Schedule") and noted the amounts to be in agreement. Further, we noted that of the total disbursements reported for the period from January 1, 2022 to March 31, 2022 in the Disbursement Schedule, Php566.29 million pertain to disbursements made in December 2021.

3. We compared the Disbursements Schedule with the schedule of planned use of IPO proceeds as documented in the Reinvestment Plan and noted that the projects in the Disbursement Schedule are included in the REIT plan. We also noted that disbursements for each project are within the amount allocated in the Reinvestment Plan, except for Dreambuilders' capex which exceeded the amount allocated in the Reinvestment Plan by Php503.85 million.

4. We traced disbursements exceeding Php50 million to supporting documents such as bank statements and collection receipts. Differences in the amount per Disbursement Schedule samples selected and the related collection receipts pertain to withholding taxes.

*Explanatory paragraph*
The Company is responsible for the source documents that are described in the specified procedures and related findings section. We were not engaged to perform and we have not performed any procedures other than those previously listed. We have not performed procedures to test the accuracy or completeness of the information provided to us except as indicated in our procedures. Furthermore, we have not performed any procedures with respect to the preparation or verification of any of the source documents. We have no responsibility for the verification of any underlying information upon which we relied in forming our findings.

The agreed-upon procedures do not constitute an audit or a review of financial statements or part thereof, the objective of which is the expression of an opinion or conclusion on the financial statements or part thereof.

We undertake no responsibility to update this AUP Report for events and circumstances occurring after the AUP Report is issued.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner

April 18, 2022
Manila, Philippines

**SUBSCRIBED AND SWORN TO** before me this 18th day of April 2022 in Mandaluyong City, Metro Manila, affiant exhibiting to me her Philippine Passport No. P1622490B, as competent evidence of her identity, bearing her photograph and signature, issued by the Department of Foreign Affairs Manila on 08 May 2019.

Doc. No. 495;
Page No. 100;
Book No. 4;
Series of 2022.

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-21 UNTIL DECEMBER 31, 2022
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
ROLL NO. 53970
PTR NO. 4864924; 1-3-22; MANDALUYONG
MCLE COMPLIANCE NO. VII 0010250 14 APRIL 2022
UG03 CITYLAND SHAW TOWER,
SHAW BLVD. MANDALUYONG CITY

## Part IV - SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**FILINVEST REIT CORP.**
**(FORMERLY CYBERZONE PROPERTIES, INC.)**

By:

Signature: ______________________
Maricel Brion-Lirio
Title: President / CEO
Date: May 13, 2022

Signature: ______________________
Ana Venus A. Mejia
Title: Treasurer and Chief Finance Officer
Date: May 13, 2022