

COVER SHEET

SEC Registration Number

A 2 0 0 0 - 0 0 6 5 2

COMPANY NAME

F I L I N V E S T R E I T C O R P. (f o r m e r l y)
C Y B E R Z O N E P R O P E R T I E S I N C ,)
A N D A S U B S I D I A R Y

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

5 t h - 7 t h F l o o r s V e c t o r 1 B u i l
d i n g , N o r t H g a t e C y b e r z o n e , F i l
i n v e s t C o r p o r a t e C i t y , A l a b a n g
, M u n t i n l u p a C i t y

Form Type

1 7 Q - 3

Department requiring the
report

Secondary License Type, If
Applicable

COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone
Number

8846-0278

Mobile Number

N/A

No. of Stockholders

8

Annual Meeting (Month /
Day)

5/30

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Venus A. Mejia

Email Address

venus.mejia@filinvestgroup.com

Telephone
Number/s

8846-0278

Mobile Number

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 **September 30, 2021**
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 =
CYBERZONE PROPERTIES INC.

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

<u>Title of Each Class</u>	<u>Number of shares of Common Stock Outstanding</u>	<u>Amount of Debt Outstanding</u>
Common Stock, ₱0.50 ¹ par value	4,892,777,994 ²	
Bonds Payable		6,000,000,000

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

Yes

☒

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

☒

No

☐

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

Yes

☒

No

☐

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

² 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 Interim Consolidated Financial Statements

As at September 30, 2021 and December 31, 2020
and
For the nine months ended September 30, 2021 and 2020

FILINVEST REIT CORP. (formerly CYBERZONE PROPERTIES, INC.)**Interim Consolidated Statements of Financial Position**

	September 30, 2021	December 31 2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱2,894,678,065	₱870,517,532
Receivables (Note 5)	619,858,512	830,144,454
Other current assets (Note 11)	139,453,045	1,171,332,106
	3,653,989,622	2,871,994,092
Noncurrent assets held for distribution (Note 6)	–	6,843,701,346
Total Current Assets	3,653,989,622	9,715,695,438
Noncurrent Assets		
Advances to contractors (Note 8)	3,667,852	18,393,179
Investment properties (Note 9)	9,207,018,867	11,629,804,872
Property and equipment (Note 10)	68,491,756	68,394,882
Intangible assets (Note 7)	1,069,103,652	3,408,827,424
Other noncurrent assets	253,622,452	388,417,886
Total Noncurrent Assets	10,601,904,579	15,513,838,243
Total Assets	₱14,255,894,201	₱25,229,533,681
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	₱1,117,460,914	₱1,583,711,747
Current portion of:		
Loans payable (Notes 13)	–	744,166,667
Lease liabilities	1,848,085	92,617,060
Security and other deposits	121,572,572	116,414,891
Dividends payable	–	6,611,906,765
Total Current Liabilities	1,240,881,571	9,148,817,130
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 13)	–	1,600,000,000
Bonds payable (Notes 14)	5,983,806,186	5,974,168,846
Lease liabilities - net of current portion	26,496,598	2,097,498,105
Security and other deposits - net of current portion	627,079,207	732,659,169
Deferred tax liability – net	–	269,939,889
Other noncurrent liabilities (Note 15)	3,827,357	300,385,682
Total Noncurrent Liabilities	6,641,209,348	10,974,651,691
Total Liabilities	7,882,090,919	20,123,468,821

(Forward)

	September 30, 2021	December 31, 2020
Equity		
Capital stock (Note 16)	₱2,446,388,997	₱1,163,426,668
Additional paid-in capital	2,518,356,922	102,900,666
Deposit for future stock subscription	–	1,889,583,333
Unappropriated retained earnings	1,410,155,846	1,950,125,348
Remeasurement gain (loss) on retirement plan	(1,098,483)	28,845
Total Equity	6,373,803,282	5,106,064,860
Total Liabilities and Equity	₱14,255,894,201	₱25,229,533,681

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

	Quarter Ended September 30		Nine Months Period Ending September 30	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
REVENUES				
Rental income	628,573,192	722,460,657	2,026,759,526	2,231,845,379
Others	235,954,943	281,858,970	798,924,988	898,564,116
	864,528,135	1,004,319,627	2,825,684,514	3,130,409,495
COST AND EXPENSES				
Utilities	96,452,441	110,512,812	309,151,952	325,475,246
Depreciation and amortization	101,157,913	116,694,484	333,588,910	344,686,362
Rental expense	68,540,998	82,263,666	207,441,820	238,746,542
Manpower and service cost	30,211,854	30,531,550	148,864,732	178,018,189
Repairs and maintenance	30,791,419	30,084,671	124,434,861	94,047,559
Taxes and licenses	27,881,893	21,378,680	69,355,829	57,042,725
Insurance	2,091,038	-	12,618,309	1,033,041
Service and management fees	38,141,541	22,934,237	49,088,499	28,125,137
Others	2,474,787	886,414	6,206,923	5,040,786
	397,743,883	415,286,515	1,260,751,834	1,272,215,588
OTHER INCOME (CHARGES)				
Gain on derecognition of lease liabilities	104,007,917	-	189,183,041	-
Interest income	4,651,197	(3,468,288)	5,871,502	3,252,794
Interest and other financing charges	(81,255,459)	(157,438,921)	(266,974,563)	(296,570,083)
Other income (charges) - net	(123,434)	1,285,812	(1,359,775)	(1,107,420)
	27,280,221	(159,621,397)	(73,279,795)	(294,424,709)
INCOME BEFORE INCOME TAX	494,064,473	429,411,715	1,491,652,885	1,563,769,198
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	(45,029,551)	77,548,754	62,852,579	195,076,610
Deferred	(109,071,390)	(2,478,419)	(269,648,113)	39,643,200
	(154,100,941)	75,070,335	(206,795,534)	234,719,810
NET INCOME	648,165,414	354,341,380	1,698,448,419	1,329,049,388
OTHER COMPREHENSIVE INCOME	(1,190,328)	-	(1,127,328)	-
TOTAL COMPREHENSIVE INCOME	646,975,086	354,341,380	1,697,321,091	1,329,049,388
BASIC/DILUTED EARNINGS PER SHARE	0.28	0.15	0.61	0.57

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

	Nine Months Period Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,491,652,885	₱1,563,769,199
Adjustments for:		
Depreciation and amortization	333,588,910	332,800,233
Interest expense and other financing changes	266,974,563	275,070,399
Gain on derecognition of lease liability	(189,183,041)	—
Interest income	(5,871,502)	(3,252,794)
Operating income before changes in operating assets and liabilities	1,897,161,815	2,168,387,037
Changes in operating assets and liabilities		
Decrease (increase) in:		
Receivables	784,200,472	(306,416,103)
Other current assets	1,053,752,024	(179,831,520)
Increase (decrease) in:		
Accounts payable and accrued expenses	(466,250,831)	(341,227,690)
Security and other deposits	(100,422,281)	(55,556,188)
Other noncurrent liabilities	(297,977,429)	268,320,906
Net cash generated from operations	2,870,463,770	1,553,676,442
Interest received	5,871,502	3,252,794
Income tax paid	(21,872,968)	(75,787,188)
Net cash provided by operating activities	2,854,462,304	1,481,142,048
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment properties	(76,018,780)	(779,603,201)
Intangible assets	(30,135,311)	(243,743,546)
Property and equipment	(15,850,526)	(26,865,117)
Decrease (increase) in:		
Advances to contractors	14,725,327	46,077,006
Other noncurrent assets	134,795,434	(21,870,959)
Net cash provided by (used) in investing activities	27,516,145	(1,026,005,817)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from availments of loans payable	—	1,000,000,000
Payments of:		
Principal portion of lease liability	(13,304,852)	(24,409,266)
Interest and transaction cost	(248,690,519)	(381,549,424)
Dividends Payable	(547,991,131)	
Increase of Capital Stock	(47,831,415)	
Loans payable	—	(940,037,882)
Net cash provided by (used) in financing activities	(857,817,916)	(345,996,572)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,024,160,533	109,139,659
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	870,517,532	508,857,313
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱2,894,678,065	₱617,996,972

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

	Nine Months Period Ended September 30,	
	2021	2020
	(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
Treasury shares	-	-
Additional paid-in capital	2,518,356,922	102,900,666
Remeasurement losses on retirement plan	(1,098,483)	1,083,935
Retained earnings		
Balance at beginning of the period	1,950,125,348	6,701,190,324
Net income	1,698,448,419	1,329,049,388
Dividends	(2,238,417,924)	-
Balance at end of the period	1,410,155,843	8,030,239,712
Equity attributable to equity holders of the parent	6,373,803,279	9,297,650,981
Noncontrolling interest	-	-
Total Equity	6,373,803,279	9,297,650,981

FILINVEST REIT CORP. (FORMERLY CYBERZONE PROPERTIES, INC.)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Cyberzone Properties, Inc. (the “Parent Company” or “CPI”) was registered with the Securities and Exchange Commission (SEC) on January 14, 2000. Its primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

The Parent 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 Parent 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 Parent Company lost control over ProOffice. The transaction has no material impact to the consolidated financial statements.

The registered office address of the Parent Company and ProOffice (collectively referred to as “the Group”) is at 5th - 7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

The Group’s Parent 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 Parent Company. FLI, FDC and ALG were all incorporated in the Philippines.

On December 4, 2020, the Board of Directors (BOD) approved the amendments of the Parent Company’s articles of incorporation to change the Parent Company’s primary purpose to 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 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.

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) and increased its capital stock from 2,000,000,000 shares with par value of P1.00 each, to 14,263,698,000 shares with par value of P0.50 each. The Company’s name was also changed to Filinvest REIT Corp.

The Company’s common shares were listed in the Philippine Stock Exchange on August 12, 2021. It’s public ownership is currently at 36.74%

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements are prepared using the historical cost basis, except for financial asset at fair value through other comprehensive income (FVTOCI) that is measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's presentation and functional currency. All amounts are rounded off to the nearest peso unless otherwise stated.

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

Statement of Compliance

The consolidated financial statements of the Group 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 Group 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 Group. The nature and impact of each new standard and amendment are described below:

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *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 Group 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 Group 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 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 Group 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 Group adopted PIC Q&A 2018-12-H retrospectively. The initial adoption has no impact on the Groups's consolidated statement of financial position. The impact of initial adoption in the Group's consolidated statement of comprehensive income follows:

Statement of comprehensive income for the nine months ended September 30, 2021

	Amounts prepared under		Increase (Decrease)
	PFRS 15	Previous PFRS	
Revenues and Income			
Others	₱798,924,988	₱192,686,457	₱606,238,531
Cost and Expenses			
Utilities	309,151,952	7,516,567	301,635,385
Depreciation	333,588,910	305,123,998	28,464,912
Repairs and maintenance	124,434,861	12,600,254	111,834,607
Manpower and service cost	148,864,732	8,151,227	140,713,505
Service fees	49,088,499	25,498,377	23,590,122

Statement of comprehensive income for the nine months ended September 30, 2020

	Amounts prepared under		Increase (Decrease)
	PFRS 15	Previous PFRS	
Revenues and Income			
Others	₱898,564,116	₱261,742,286	₱631,085,830
Cost and Expenses			
Depreciation	344,686,362	302,819,470	41,866,892
Utilities	325,475,246	—	333,197,613
Repairs and maintenance	94,047,559	6,883,760	87,163,799
Manpower and service cost	178,018,189	30,351,213	147,666,976
Service fees	5,040,787	—	1,033,041

Future Changes in Accounting Policy

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group 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, *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 Group.

- 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 Group 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 parent, based on the parent’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 Group.

- 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 Group 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 Group.

- 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 Group.

Effective beginning on or after January 1, 2023

- 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. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
 - A simplified approach (the premium allocation approach) mainly for short-duration contracts.
- PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. The amendments are not expected to have a material impact on the Group.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated financial statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

- *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 Group since it is not involved 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 Group.

- *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 Group.

Significant Accounting Policies

Current versus Noncurrent Classification

The Group 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 Group 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 Group.

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active 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 Group 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 Group 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 Group's business model for managing them. The Group 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 Group'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 Group commits to purchase or sell the asset.

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

Reclassification of financial assets

The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group 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 Group's business model must be effected 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 Group. 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.

Impairment of Financial Assets

The Group 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 Group 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 Group 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 Group 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 Group 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 Group'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 Group uses the ratings from reputable rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers receivables in default when contractual payments are sixty (60) days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. 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).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group 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 Group 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 Group 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 Group'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 Group 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 Group 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 Group 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 Group. 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 Group, these are classified under investment properties. Consistent with the Group’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.

Construction in-progress are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete.

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 Group'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 Group 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.

Noncurrent Assets Held for Distribution or Sale

A noncurrent asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable.

A noncurrent asset (or disposal group) is classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the sale is highly probable.

Noncurrent asset (or disposal group) classified as held for distribution or sale is measured at the lower of its carrying amount and fair value less costs to distribute or cost to sell.

The Group presents the non-current asset classified as held for distribution and the assets of a disposal group classified as held for sale separately from other assets as "Noncurrent assets held for distribution or sale" in the statement of financial position. The liabilities related to the disposal group classified as held for distribution or sale are presented separately from other liabilities as "Liabilities directly related to noncurrent assets held for distribution or sale" in the statement of financial position.

Impairment of Nonfinancial Assets

The Group 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 Group 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 Group. 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 Group 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 Parent 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 Group, 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 Group's BOD.

Dividends are deducted from unappropriated retained earnings when declared and approved by the Group'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.

Revenue Recognition

The Group is in the business of leasing its investment property portfolio. The Group'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 Group expects to be entitled in exchange for those goods or services. The Group 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.

Common usage service area charges

Common usage service area charges are recognized when the related services are rendered. The Group 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.

Other Comprehensive Income (OCI)

OCI are items of income and expense that are not recognized in the profit or loss for the period in accordance with PFRS.

Costs and Expense Recognition

These include the Group'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.

Retirement Costs

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 Group'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.

Leases

Company as lessor

Leases where the Group 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 Group applies a single recognition and measurement approach for all leases. The Group 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 Group 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 Group 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 Group 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 Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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 Group 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 Group 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 Group 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 Group's operating businesses are organized and managed according to the nature of the products and services provided. The Group has determined that it is operating as one operating segment as of September 30, 2021 and December 31, 2020.

Provisions

A provision is recognized only when the following conditions are present: (a) the Group 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 Group'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.

Determination of lease term of contracts with renewal and termination options - Group as a lessee

The Group 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 Group has the option, under some of its leases to lease the assets for additional terms equivalent to its original lease term. The Group 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 Group 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 Group assessed that renewal is not reasonably certain.

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group 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 - Group 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 Parent Company at the land properties owned by Cebu Province located at Salinas, Lahug Cebu City.

In August 2012, FLI assigned this agreement to the Parent Company. Based on the agreement, the Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent Company considering that: (a) the Parent 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 Parent 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 or sale

As of September 30, 2021 and December 31, 2020, the Parent Company has noncurrent assets held for distribution or sale amounting to nil million and ₱6,843.7 million, respectively, related to property dividends declared by the Parent Company. These include property dividends declared on December 4, 2020 and February 11, 2021, additions to construction in progress under investment properties and intangible assets declared as property dividends from the date of declaration up to December 31, 2020 and July 15, 2021, and the related right of use assets for the land subleased by the Parent Company where these properties are constructed.

SEC issued the certificate of filing the notice of property dividend declaration on July 15, 2021. These investment properties will be derecognized in the consolidated financial statements on the date of SEC certification.

Impairment assessment of nonfinancial assets

The Group assesses at each financial reporting date whether there is any indication that the nonfinancial assets (investment properties and intangible assets) may be impaired. The Group 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 Group 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 Group 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 September 30, 2021 and December 31, 2020, no impairment indicators were identified for the Group'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 Group 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 Group's historical observed default rates. The Group 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 Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group 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 Group assessed that the security deposit and advance rentals are sufficient to cover any exposure to credit loss. As of September 30, 2021, and December 31, 2020, the Group's allowance for ECL on its trade receivables amounted to ₱0.3 million.

Recognition of deferred tax asset

The Group 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. While the Group as a REIT Company, is not formally designated as tax-free in law, it is nevertheless exempt from tax provided that it meets certain conditions, such as distribution of minimum required earnings. The Group believes that it will continue to comply and as such will not have taxable profit that can be utilized against deferred income tax assets. As of September 30, 2021, and December 31, 2020, deferred tax assets amounted to nil and ₱269.2 million, respectively.

4. Cash and Cash Equivalents

This account consists of:

	September 30, 2021	December 31, 2020
Cash on hand and in banks	₱1,775,472,132	₱602,644,513
Cash equivalents	1,119,205,933	267,873,019
	₱2,894,678,065	₱870,517,532

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 0.10% to 3.75% and 0.13% to 4.50% for the nine months ended September 30 2021 and 2020, respectively.

Interest earned from cash and cash equivalents amounted to ₱1.9 million and ₱5 million for the nine months ended September 30, 2021 and 2020.

There is no restriction on the Company's cash and cash equivalents as at September 30, 2021 and December 31, 2020.

5. Receivables

This account consists of:

	September 30, 2021	December 31, 2020
Trade receivables (Note 17)	₱619,872,183	₱799,278,543
Advances to officers and employees	271,587	29,632,452
Others	—	1,518,717
	620,143,770	830,429,712
Less expected credit loss	285,258	285,258
	₱619,858,512	₱830,144,454

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 ₱4.0 million and ₱1.8 million for the nine months ended September 30, 2021 and 2020, respectively.

Advances to officers and employees pertain to salary and loans granted by the Group 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.

For the nine months ended September 30, 2021 and 2020, the Company has not recognized additional provision for ECL on its trade receivables. Allowance for expected credit losses recorded amounted to ₱0.3 million as of September 30, 2021 and December 31, 2020.

6. Noncurrent Assets Held for Distribution

This account consists of:

	September 30, 2021	December 31, 2020
Net book value of investment properties		
Investment properties declared as property dividends (Notes 9 and 16)	₱—	₱6,611,906,765
Additions to construction in progress for the period	—	231,794,581
	₱—	₱6,843,701,346

Noncurrent assets held for distribution represent investment properties and BTO rights declared as property dividends, additions to construction in progress under investment properties and intangible assets declared

as property dividends from the date of declaration and the related right of use assets for the land subleased by the Parent Company where these properties were constructed.

These noncurrent assets held for distribution was derecognized in the interim consolidated financial statements on July 15, 2021, when SEC approves the distribution of the dividends and issued the certificate of filing the notice of property dividend declaration. The Company is compensated for the additional construction costs incurred related to these properties.

7. Intangible Assets

On March 26, 2012, FLI entered into a BTO agreement with Cebu Province. This was subsequently assigned to the Group 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 September 30, 2021 and December 31, 2020, cost of completed portion pertaining to Cebu Tower 1 of the BTO project amounted to ₱1.3 billion.

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, CPI 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. Cebu Tower 2 was also included as part of the Second Property Dividend to be distributed to stockholders of record as of February 15, 2021.

“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:

	September 30, 2021		
	BTO Rights	Right-of-Use Assets	Total
Cost			
Balance at beginning of period	₱3,576,270,821	₱112,423,917	₱3,688,694,738
Additions	2,645,087	-	2,645,087
Derecognition (Note 9)	(890,876,270)	(60,231,586)	(951,107,856)
Reclassification (Note 6 and 9)	(1,361,627,554)	(30,115,793)	(1,391,743,347)
Balance at end of period	1,326,412,084	22,076,538	1,348,488,622
Accumulated Depreciation			
Balance at beginning of period	270,873,400	8,993,914	279,867,314
Depreciation	42,756,758	1,264,611	44,021,369
Derecognition (Note 9)	-	(5,220,071)	(5,220,071)
Reclassification (Not 6 and 9)	(36,673,608)	(2,610,035)	(39,283,643)
Balance at end of period	276,956,551	2,428,419	279,384,970
Net Book Value	₱1,049,455,533	₱19,648,119	₱1,069,103,652

	December 31, 2020		
	BTO Rights	Right-of-Use Assets	Total
Cost			
Balance at beginning of year	₱2,960,031,844	₱112,423,917	₱3,072,455,761
Additions	607,835,586	-	607,835,586

Reclassification	8,403,391	–	8,403,391
Balance at end of year	3,576,270,821	112,423,917	3,688,694,738
Accumulated Depreciation			
Balance at beginning of year	178,271,697	4,496,957	182,768,654
Depreciation	77,559,890	4,496,957	82,056,847
Reclassification	15,041,813	–	15,041,813
Balance at end of year	270,873,400	8,993,914	279,867,314
Net Book Value	₱3,305,397,421	₱103,430,003	₱3,408,827,424

8. 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 ₱3.7 million and ₱18.4 million as of September 30, 2021 and December 31, 2020, respectively.

9. Investment Properties

The rollforward analyses of this account follows:

	September 30, 2021					
	Land	Buildings and Construction Improvement in-progress	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	–	76,018,780	–	–	9,044,111	85,062,891
Derecognition	–	–	–	(1,884,771,395)	(44,191,728)	(1,928,963,123)
Reclassification (Note 6)	–	(575,180,627)	–	(62,159,358)	16,651,371	(620,688,614)
Balance at end of period	–	11,453,908,371	–	–	139,708,498	11,593,616,869
Accumulated Depreciation						
Balance at beginning of period	–	2,339,348,223	–	39,188,512	49,864,109	2,428,400,844
Depreciation	–	284,701,326	–	11,286,856	22,580,267	318,568,449
Derecognition	–	–	–	(42,779,448)	(15,808,081)	(58,587,529)
Reclassification (Note 6)	–	(315,708,533)	–	(7,695,920)	21,620,691	(301,783,762)
Balance at end of period	–	2,308,341,016	–	–	78,256,986	2,386,598,002
Net Book Value	₱–	₱9,145,567,355	₱–	₱–	₱61,451,512	₱9,207,018,867

December 31, 2020						
	Land	Buildings and Improvement	Construction in-progress	Right-of-use asset (Note 20)	Others	Total
Cost						
Balance at beginning of year	₱1,065,970,323	₱14,374,114,937	₱2,596,558,086	₱62,159,358	₱125,268,691	₱18,224,071,395
Additions	12,671,445	150,907,402	1,292,911,395	2,149,262,141	32,936,053	3,638,688,436
Disposals	(672,801,997)	—	—	—	—	(672,801,997)
Derecognition	—	—	—	(264,490,746)	—	(264,490,746)
Reclassification	(405,839,771)	(2,571,952,120)	(3,889,469,481)	—	—	(6,867,261,372)
Balance at end of year	—	11,953,070,219	—	1,946,930,753	158,204,744	14,058,205,716
Accumulated Depreciation						
Balance at beginning of year	—	2,042,662,904	—	3,551,963	21,083,279	2,067,298,146
Depreciation	—	320,245,345	—	39,033,505	28,780,830	388,059,680
Derecognition	—	—	—	(3,396,956)	—	(3,396,956)
Reclassification	—	(23,560,026)	—	—	—	(23,560,026)
Balance at end of year	—	2,339,348,223	—	39,188,512	49,864,109	2,428,400,844
Net Book Value	₱—	₱9,613,721,996	₱—	₱1,907,742,241	₱108,340,635	₱11,629,804,872

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

Investment properties pertain to the Group's land and buildings that are currently leased to third parties. Borrowing costs capitalized to investment properties amounted to nil and ₱177.5 million for the nine months ended September 30, 2021 and 2020. The capitalization rates used range from 4.0% to 5.6% in 2020.

On October 7, 2020, the Group sold a portion of its South Road Properties with a carrying value of ₱672.8 million for a consideration of ₱737.8 million.

On February 11, 2021, the BOD approved the second property dividends to be distributed to stockholders of record as of February 15, 2021. The cost of these properties, including the related right-of-use assets and lease liabilities, were derecognized.

On March 1, 2021, FILRT and FLI amended their existing lease contract. The pertinent amended provisions include removal of the requirement to pay minimum lease and that rental rates shall be solely variable (10% or 15% based on gross lease income). In case of redevelopment, FLI and FILRT shall mutually agree on the minimum monthly rent during construction period.

The above transactions resulted to derecognition of ROU assets and lease liabilities amounting ₱1,998.7 million and ₱2,187.8 million, respectively, and recognition of gain on derecognition of lease liabilities amounting ₱189.2 million for the nine months ended September 30, 2021.

10. Property and Equipment

The rollforward analysis of this account follows:

	September 30, 2021		
	Land Improvements	Furniture and Fixtures	Total
Cost			
Balance at beginning of period	₱38,916,373	₱91,920,342	₱130,836,715
Additions	–	8,439,204	8,439,204
Derecognition	–	(3,705,661)	(3,705,661)
Balance at end of period	38,916,373	104,065,207	142,981,580
Accumulated Depreciation			
Balance at beginning of period	19,325,572	43,116,261	62,441,833
Depreciation	262,854	13,894,538	14,157,393
Derecognition	–	(2,109,402)	(2,109,402)
Balance at end of period	19,588,426	54,901,397	74,489,824
Net Book Value	₱19,327,947	₱49,163,809	₱68,491,756

	December 31, 2020		
	Land Improvements	Furniture and Fixtures,	Total
Cost			
Balance at beginning of year	₱38,703,160	₱80,175,614	₱118,878,774
Additions	201,211	16,559,423	16,760,634
Reclassification (Notes 7 and 9)	12,002	(4,814,695)	(4,802,693)
Balance at end of year	38,916,373	91,920,342	130,836,715
Accumulated Depreciation			
Balance at beginning of year	18,975,099	44,953,352	63,928,451
Depreciation	350,473	15,598,150	15,948,623
Reclassification (Notes 7 and 9)	–	(17,435,241)	(17,435,241)
Balance at end of year	19,325,572	43,116,261	62,441,833
Net Book Value	₱19,590,801	₱48,804,081	₱68,394,882

As of September 30, 2021, property and equipment is not used as collateral and is not subject to any encumbrances.

11. Other Assets

Other current assets consist of:

	September 30, 2021	December 31, 2020
Input VAT - net	₱–	₱986,282,331
Creditable withholding tax	14,904,542	94,649,221
Prepayments	79,382,051	68,233,324
Others	45,166,452	33,658,745
	139,453,045	1,182,823,621
Less noncurrent portion of input VAT	–	11,491,515
	₱139,453,045	₱1,171,332,106

Input Value Added Tax (VAT) represents the taxes imposed to the Group 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.

12. Accounts Payable and Accrued Expenses

This account consists of:

	September 30,2021 (Unaudited)	December 31,2020 (Audited)
Advances from tenants	₱334,986,969	₱566,558,897
Accrued expenses	181,183,077	262,209,073
Payable to suppliers	153,408,094	121,453,381
Due to related parties	127,776,130	181,541,991
Accrued interest payable	123,423,543	113,036,580
Payable to contractors	109,240,930	123,491,053
Output VAT – net	45,245,492	–
Withholding taxes payable	42,196,678	38,206,363
Retention payable - current portion	–	177,214,409
	₱1,117,460,914	₱1,583,711,747

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 Group 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 Group.

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.

13. Long Term Debt

This account consists of:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Developmental loans from local banks	P—	P2,344,166,667
Less current portion of loans payable	—	744,166,667
Long-term portion of loans payable	P—	P1,600,000,000

The loans from local banks are obtained to finance the construction of buildings.

Total interest expense charged to the statement of comprehensive income amounted to P7.9 and P44.5 for the nine months ended September 30, 2021 and 2020, respectively.

14. Bonds Payable

On July 7, 2017, the Parent Company issued fixed rate bonds with aggregate principal amount of P6.0 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.

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

Unamortized debt issuance cost on bonds payable amounted P16.2 million and P 25.8 million as of September 30, 2021 and December 31, 2020, respectively. Amortization of transaction costs included under “Interest and other financing charges” in the statement of comprehensive income amounted to P9.6 million for the nine months ended September 30, 2021 and 2020.

The bonds require the Parent Company to maintain a maximum debt-to-equity ratio of 2.33x; and minimum debt service coverage ratio of 1.1x. As of September 30, 2021, the Parent Company is not in breach of any of these debt covenants.

15. 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:

	September 30, 2021	December 31, 2020
Current portion	P121,572,572	P116,414,891
Noncurrent portion	627,079,207	732,659,169
	P748,651,779	P849,074,060

Other noncurrent liabilities

This account consists of:

	September 30, 2021	December 31, 2020
Retention payable - net of current portion	P—	P296,558,325
Retirement liabilities	3,827,357	3,827,357
	P3,827,357	P300,385,682

16. Equity

Capital Stock, Additional Paid-in Capital and Deposit for Future Stock Subscription

Details of the Company's capital stock as of September 30, 2021 is as follow:

Common stock - ₱0.50 par value	
Authorized – 14,263,698,000 shares	₱7,131,849,000
Issued and outstanding – 4,892,777,994 shares	2,446,388,997
Additional paid-in capital	2,518,356,922

On December 4, 2020, the BOD approved the increase in the Parent Company's authorized capital stock to ₱14,985.0 million divided into 10,800.0 million common shares with a par value of ₱1.00 per share and 4,185.0 million preferred shares with a par value of ₱1.00. The Parent Company filed the application for the increase in authorized capital stock with the SEC on December 22, 2020.

On December 15, 2020, FLI subscribed to 2,700.0 million common shares and 1,046.3 million preferred shares out of the Parent Company's proposed increase in authorized capital stock. The consideration for the subscription amounting to ₱3,746.3 million shall be taken from the loans payable assigned to FLI.

On March 5, 2021, the BOD and the stockholders approved the reduction of the par value of the common shares of the Parent 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 P2.0 billion divided into 2 billion common shares with a par value of ₱1.00 per share to ₱7,131,849,000 divided into 14,263,698,000 common shares with a par value of ₱0.50 per share.

On July 2, 2021, SEC approved and issue 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 trust investment and increased its capital stock from 2,000,000,000 shares with par value of ₱1.00 each, to 14,263,698,000 shares with par value of ₱0.50 each. The Company's name was also changed to Filinvest REIT Corp.

The Company's listing date of REIT shares was on August 12, 2021.

As of September 30, 2021 and December 31, 2020, deposit for future stock subscription amounted to nil and ₱1,889.6 million, respectively, inclusive of the assigned loans payable amounting to nil and ₱1,518.8 million, respectively, and principal installments paid by FLI in December 2020 amounting to ₱370.8 million.

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 Dividend

On August 31, 2021, the Company declared cash dividends amounting to ₱548 million to its stockholders of record as of September 15, 2021. The cash dividends was paid on September 30, 2021.

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.

On December 4, 2020, the Parent Company's BOD approved the declaration of buildings Filinvest Axis Towers 2, 3 and 4, and SRP Lot 2 with carrying value amounting to ₱6,611.9 million. Axis tower 3 and 4 are under construction

On July 15, 2021, SEC approved the Company's dividend declaration consisting of property amounting to ₱6,611,906,765 payable to its stockholders of record as of November 30, 2020.

On July 15, 2021, SEC approved the Company's dividend declaration consisting of properties amounting to P1,690,426,790 payable to its stockholders of record as of February 15, 2021.

After reconciling items, the Group's retained earnings available for dividend declaration as of September 30, 2021 and December 31, 2020 amounted to P1,410.2 million and P1,680.9 million, respectively.

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

	Cash Dividend (As of Sept. 30, 2021)	Property Dividend (As of Sept. 30, 2021)	December 31, 2020
a. Dividends	P547,991,131	1,690,426,790	<u>P6,611,906,765</u>
b. Number of outstanding common shares	4,892,777,994	1,163,426,668	<u>1,163,426,668</u>
Dividends per share (a/b)	P0.11	P1.45	<u>P5.68</u>

17. Other Income

The account consists of:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Tenant dues	P757,539,541	P870,724,145
Service income	34,128,201	25,586,021
Miscellaneous	7,257,245	2,253,949
	P798,924,988	P898,564,115

Please refer to the changes in accounting policies and disclosures for the Adoption of Philippine Interpretations Committee Question and Answers (PIC Q&As) 2018-12 on Accounting for Common Usage Service Area (CUSA).

18. 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 Group'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 September 30, 2021 and December 31, 2020 are unsecured, interest free and require settlement in cash, unless otherwise stated. As of September 30, 2021 and December 31, 2020, the Group 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.

- a) The Group maintains savings accounts and short-term deposits with East West Banking Corporation

(EW), an affiliated bank. Cash and cash equivalents earn interest at the prevailing short-term investment rates.

b) *Lease agreements with related parties - Group as lessor*

- The Parent Company, as a lessor, entered into a space rental agreement with FLI, for the office space in one of the Parent Company's buildings. Initial lease period is from December 6, 2016 to December 5, 2021, and was renewed for another ten (10) years of from December 6, 2021 to December 5, 2031.
- The Parent Company, as a lessor, entered into a space rental agreement with Filinvest Alabang, Inc. (FAI), an entity under common control, for the office space in two of the Parent Company's buildings. For the first Lease, the initial Lease period of first lease is from April 1, 2011 to March 31, 2016 and was renewed for another five (5) years from April 1, 2016 to March 31, 2021 and was renewed again (Second Renewal) for another ten (10) years or from April 1, 2021 to March 31, 2021. For the second or lease expansion, the Lease period is from September 2, 2019 to September 1, 2024.
- The Parent Company, as a lessor, entered into a space rental agreement with PEPMI, an affiliate, for the office space in one of the Parent Company's buildings Initial Lease period is from July 15, 2015 to July 14, 2017 and was renewed for another three (3) years or from July 15, 2017 to July 14, 2020 and was renewed again (Second Renewal) for another five (5) years or from July 15, 2020 to July 14, 2025. Pro Excel expanded to another office space in same building and Lease period is from August 15, 2020 to July 14, 2025. The said building (IT building) is part of the property dividends declared and approved by SEC on July 15, 2021.
- The Parent Company, as a lessor, entered into a space rental agreement with Chroma Hospitality, Inc., a fellow subsidiary under FLI, for the office space in one of the Parent Company's buildings. Lease period is from June 2, 2017 to June 1, 2027.
- The Parent Company, as a lessor, entered into a space rental agreement with Filinvest Hospitality Corp., Inc., a fellow subsidiary under FLI, for the office space in one of the Parent Company's buildings. Lease period is from June 2, 2017 to June 1, 2027.
- The Parent Company, as a lessor, entered into a lease agreement with Festival Supermall, Inc. (FSI), a fellow subsidiary under FLI, for the office space in one of the Parent Company's buildings. Lease period is from June 2, 2017 to June 1, 2027.
- The Parent Company, as a lessor, entered into a space rental agreement with Corporate Technologies Inc (CTI), for the office space in one of the Parent Company's buildings. Leasing period is from November 15, 2018 to November 14, 2023.

c) *Lease agreements with related parties - Group as lessee*

- The Parent Company, as a lessee, entered into a land lease agreement with FLI on the location of the buildings currently leased to third parties and on those still under construction. Rental expense is based on certain percentages of the Parent Company's gross rental income.

In 2020, the Parent Company's lease agreement was amended as follows:

- the Parent Company shall pay either a minimum guaranteed rent or a percentage share from Gross Lease, whichever is higher, effective July 1, 2020; and,
- the lease terms were extended for an additional term of 25 years.

In 2021, the Parent Company's lease agreement was amended as:

- rental rates shall be solely variable (10% or 15% based on Gross Lease Income); and,
- in case of redevelopment, FLI and the Parent Company shall mutually agree on the minimum monthly rent during construction period.
- lease period shall be in full force and effect for a period of 50 years which shall commence on February 11, 2021 and shall expire on February 10, 2071, subject to renewability for another 25 years, (February 11, 2071 to February 10, 2096).

- In addition, the Parent Company, as a lessee, entered into a land lease agreement with FAI on the location of the parking currently leased out to third parties. Rental is based on a certain percentage of income earned from the parking space.
- d) *Service agreements with related parties*
- The Parent Company entered into a service agreement with FAI whereby the Parent Company shall pay service fees for general management services rendered by the latter for the operations of the Parent Company. FAI is also the provider of water services within the Filinvest City where majority of the buildings of the Parent Company are located.
 - The Parent Company entered into a service agreement with Filinvest Cyberparks, Inc. (FCI), Filinvest Asia Corp. (FAC), and PEPMI, entities under common control, whereby the Parent Company shall lease out a portion of its office space and perform accounting and administrative services to the latter for a fee. The Service Agreement ended on March 30, 2021.
 - The Parent Company entered into a service agreement with FDC Retail Electricity Sales, Corporation (FDC RES), an entity under common control, whereby the Parent Company shall engage and pay the services rendered by the latter to provide the electricity requirements of its facilities.
 - The Parent Company entered into a service agreement with its affiliate, Parking Pro, Inc., to operate and maintain the Parent Company's parking facilities.
 - The Parent Company entered into a service agreement with ProOffice, an affiliate, whereby the Parent Company shall engage and pay the services rendered by the latter to operate and manage the common areas of the properties owned by the Parent Company.
 - The Parent Company entered into a facilities management agreement with Professional Operations and Maintenance Experts Incorporated (PROMEI), whereby the Parent Company shall engage and pay the services rendered by the latter to operate and maintain its equipment and premises.
 - The Parent Company entered into a service agreement with CTI, whereby the Company shall engage and pay for varied information and technology services. Services shall include application development, apps support and system maintenance, system application, software licensing and administration, internet bandwidth allocation, network, database and server management plus desktop and telecom support.
 - The Parent Company entered into a service agreement with FREIT Fund Managers, Inc., whereby the Parent Company shall engage and pay the services rendered by the latter as Fund Manager and to perform the functions required thereof as stated in the REIT Law and the regulations of the relevant government agencies.
- e) On February 27, 2019, the Parent Company availed advances from FCI amounting ₱300.0 million. The Parent Company availed additional advances amounting to ₱50.0 million on April 1, 2020. These advances were all paid in 2020. Related interest amounting ₱6.0 million was incurred by the Parent Company.
- f) *BOT Agreement*
- In accordance with the terms of Build Operate and Transfer (BOT) agreement between the Parent Company and Philippine DCS Development Corporation (PDDC), the Parent Company paid prepaid DCS connection charges to PDDC amounting to ₱248.9 million, to be consumed by existing and future buildings within Northgate Cyberzone in Muntinlupa City over the service period of 20 years.
- g) *Deed of Assignment of BTO rights to FLI*
- On February 26, 2021, the Parent Company entered into an agreement with FLI assigning its right to manage and operate the Towers 3 and 4 of Filinvest Cebu Cyberzone Towers under the BTO Agreement and Agreement for Transfer and Conveyance. The consideration due was offset against outstanding payable to FLI. The excess shall be settled in cash.

Key Management Personnel

For the six months ended September 30, 2021 and 2020, compensation of key management personnel pertains to short-term employee benefit amounting ₱1.4 million and ₱2.1 million, respectively.

19. 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.

20. Financial Risk Exposures

The Group'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 Group's operations while all other financial instruments resulted from the conduct of business.

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

a. *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to the Group'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 Group's income before income tax.

	Increase (decrease) in basis points	Effect on income before income tax/capitalized borrowing costs
September 30, 2021	+100	(P0.00 million)
	-100	P0.00 million
December 31, 2020	+100	(P23.4 million)
	-100	23.4 million

There is no impact on the Group'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 Group trades only with recognized, creditworthy third parties. It is the Group's practice that prospective tenants are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group which comprise cash and cash equivalents, the Group'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 Group's lease receivables using a provision matrix results to P0.3 million expected credit loss. The expected credit loss rate has been set at zero rate because the historical collected within 20 days from the billing date. The loss given default is also set at zero since the security deposits and advance rentals are considered in the calculation of impairment as these can be used to offset unpaid receivables.

In most cases, recoveries are higher than the amount of receivable at default. As of September 30, 2021 and December 31, 2020, most of the Group's trade receivables are covered by security deposits and advances rentals. For the nine months ended September 30, 2021 and 2020, allowance for ECL amounted to P0.3 million.

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group determines the credit quality based on the following:

Cash and Cash Equivalents – based on the nature of the Group's internal rating system.

Receivables – (a) high grade pertains to receivable from third parties, of which based on experience, are highly collectible or collectible on demand, and of which exposure to bad debts is not significant, while (b) standard grade pertains to receivables which passed a certain set of credit criteria and, which the Group has not noted any extraordinary exposure that calls for past due classification.

The table below shows the credit quality, based on the Group's credit rating system as of September 30, 2021 and December 31, 2020:

September 30, 2021					
	Neither Past Due nor Impaired		Past Due but not Impaired	Past Due and Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents*	₱2,894,325,065	₱–	₱–	₱–	₱2,894,325,065
Receivables	491,414,956	–	128,443,556	285,258	620,143,770
Deposits	40,903,155	–	–	–	–
	₱3,426,643,176	₱–	₱128,443,556	₱285,258	₱3,514,468,835

*Excludes cash on hand amounting to ₱353,000.

December 31, 2020					
	Neither Past Due nor Impaired		Past Due but not Impaired	Past Due and Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents*	₱870,424,532	₱–	₱–	₱–	₱870,424,532
Receivables	685,656,893	–	144,487,561	285,258	830,429,712
Deposits	40,903,155	–	–	–	40,903,155
	₱1,596,984,580	₱–	₱144,487,561	₱285,258	₱1,741,757,399

*Excludes cash on hand amounting to ₱93,000.

The analysis of trade receivables which are past due but not impaired as of September 30, 2021 and December 31, 2020 follow:

Delays in collection were experienced as payment due dates have been extended to assist the tenants during the Community Quarantine. Subsequent collections have been made. Past due accounts are duly supported with security deposits which can be offset upon default on payment by the tenant.

c. *Liquidity risk*

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

The tables below summarize the maturity profile of the Group's financial assets held to manage liquidity as at September 30, 2021 and December 31, 2020:

September 30, 2021							
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	a > 1 year but < 5 years
Cash and cash equivalents	₱1,775,472,132	₱1,119,205,933	₱–	₱–	₱–	₱2,894,678,065	₱–
Receivables	491,414,956	40,047,654	7,017,483	6,075,957	75,302,462	₱619,858,512	–
Deposits	–	–	–	–	–	40,903,155	₱40,903,155
	₱2,266,887,088	₱1,159,253,587	₱7,017,483	₱6,075,957	₱75,302,462	₱3,514,536,577	₱40,903,155

December 31, 2020							
	On demand	< 30 days	30 - 60 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash Equivalents	₱602,644,513	₱267,873,019	₱–	₱–	₱870,517,532	₱–	₱870,517,532
Receivables	795,250,212	35,179,500	–	–	₱830,429,712	–	830,429,712
Deposits	–	–	–	–	–	₱40,903,155	40,903,155
	₱1,397,894,725	₱303,052,519	₱–	₱–	₱1,700,947,244	₱40,903,155	₱1,741,850,399

Maturity profile of the Group's financial liabilities, as at September 30, 2021 and December 31, 2020 is shown below (in thousands):

September 30, 2021									
On demand	In 30 days	30 to 60 days	61 to 90 days	Over 90 days	Up to a year total	1-3 years	> 3 - 5 Years	Over 5 years	Total
Loans Payable	—	—	—	—	—	—	—	—	—
Bonds Payable	—	—	—	—	—	6,000,000	—	—	6,000,000
Lease Liabilities	—	154	154	154	1,409	1,871	4,028	4,441	61,486
Interest on long-term debt*	—	75,744	—	—	227,232	302,976	154,013	—	456,989
Accounts payable and accrued expenses	1,117,461	—	—	—	1,117,461	—	—	—	1,117,461
Security and other deposits	—	—	121,573	—	121,573	627,079	—	—	748,652
	1,117,461	75,898	121,727	154	228,641	1,543,881	6,785,120	4,441	61,486
									8,394,927

*Includes future interest payable.

2020									
On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 - 3 years	> 3 - 5 Years	Over 5 years	Total
Loans payable	P- ₱17,500	₱12,500	₱20,833	₱693,334	₱744,167	₱400,000	₱1,200,000	P- ₱-	₱2,344,167
Bonds payable	—	—	—	—	—	—	6,000,000	—	6,000,000
Lease liabilities	—	6,842	12,326	17,819	55,630	92,617	232,749	401,374	1,463,375
Interest on long-term debt*	15,921	5,556	5,509	22,109	79,030	128,125	185,397	56,876	370,398
Accounts payable and accrued expenses	1,583,712	—	—	—	1,583,712	—	—	—	1,583,712
Security and other deposits	—	—	116,415	—	116,415	259,242	473,417	—	849,074
	₱1,599,633	₱29,898	₱146,750	₱60,761	₱827,994	₱2,665,036	₱1,077,388	₱8,131,667	₱13,337,466

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

Results of operations for the nine months ended September 30, 2021 compared to nine months ended September 30, 2020

Revenues and Income

The Company's total revenues and income decreased by ₱304.7 million or 9.7% from ₱3,130.4 million for the nine months ended September 30, 2020 to ₱2,825.7 million for the nine months ended September 30, 2021.

The decline in total revenues was primarily due to the decrease in rental revenue by ₱205.1 million or 9.2% from ₱2,231.8 million for the nine months ended September 30, 2020 to ₱2,026.8 million for the nine months ended September 30, 2021, and the decrease in other income by ₱99.6 million or 11.1% from ₱898.6 million for the nine months ended September 30, 2020 to ₱798.9 million for the nine months ended September 30, 2021. The decrease in revenues and other income was caused by the pre-termination of leases primarily by POGO tenants in the second half of 2020 and revenues from projects transferred to FLI. The Company expects new BPO tenants to lease out the vacated office spaces.

Cost and Expenses

The Company's consolidated costs and expenses decreased by ₱11.5 million or 1% from ₱1,272.2 million for the nine months ended September 30, 2020 to ₱1,260.8 million for the nine months ended September 30, 2021, primarily due to decrease in utilities expenses, rental expenses, and manpower and repairs.

The Company's utilities expenses decreased by ₱16.3 million, or 5%, to ₱309.2 million for the nine months ended September 30, 2021 compared to ₱325.5 million for the nine months ended September 30, 2020. The decrease in utilities expenses was mainly due to lower utilities consumption resulting from a combination of energy efficiency programs and lower density on site in compliance to quarantine protocols. Lower utilities expense resulted also from transfer of some projects of the Company to FLI.

The Company's depreciation and amortization expenses decreased by ₱11.1 million, or 3.2%, to ₱333.6 million for the nine months ended September 30, 2021 compared to ₱344.7 million for the nine months ended September 30, 2020. The decrease was caused by the property dividends and assignment of projects to FLI.

The Company's rental expense decreased by ₱31.3 million, or 13.1%, to ₱207.4 million for the nine months ended September 30, 2021 compared to ₱238.8 million for the nine months ended September 30, 2020. 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.

The Company's taxes and licenses expenses increased by ₱12.3 million, or 21.6%, to ₱69.4 million for the nine months ended September 30, 2021 compared to ₱57.0 million for the nine months ended September 30, 2020. The increase was mainly due to gross income of prior year which resulted to higher business permits. Documentary stamp taxes were paid in relation to the transfer of properties to FLI.

The Company's service and management fees increased by ₱21.0 million, or 74.5%, to ₱49.1 million for the nine months ended September 30, 2021 compared to ₱28.1 million for the nine months ended September 30, 2020. The increase was mainly due to retroactive charges by Corporate Technologies Inc (CTI) for information and technology services and Filinvest Alabang Inc (FAI) for shared supply chain and procurement services.

The Company's manpower and service cost decreased by ₱29.2 million, or 16.4%, to ₱148.9 million for the nine months ended September 30, 2021 compared to ₱178.0 million for the nine months ended September 30, 2020. The decrease was due to transfer of the Company's employees to another affiliate. The company will only be charged for its proportion share in the manpower cost. Lower manpower cost was also incurred for expenses such as security and janitorial as a result of the cost management in relation to lower density on site in compliance to community quarantine measures implemented in Metro Manila and transfer of some projects of the Company to FLI.

The Company's repairs and maintenance increased by ₱30.4 million, or 32.3%, to ₱124.4 million for the nine months ended September 30, 2021 compared to ₱94.0 million for the nine months ended September 30, 2020. The increase was mainly due to comprehensive maintenance programs for the property equipment coupled with sanitation protocols.

The Company's insurance increased by ₱11.6 million, or 1,121.5%, to ₱12.6 million for the nine months ended September 30, 2021 compared to ₱1.0 million for the nine months ended September 30, 2020. The increase was mainly due to insurance paid covering year 2020-2021 of the Company's buildings.

Other income (charges)

The Company recognized gain on derecognition of lease liabilities amounting to ₱189.2 million for the nine months ended September 30, 2021, due to the removal of the minimum guaranteed rent per the amended lease contract between FLI and the Company with respect to properties in Northgate Cyberzone, derecognition of lease liabilities for Filinvest Edsa and Cebu Tower 3 projects which are distributed as part of the Second batch of Property Dividends and the assignment of right-of-use assets relating to Cebu Tower 3 and 4 to FLI.

The Company's interest income increased by ₱2.6 million, or 81.8%, to ₱5.9 million for the nine months ended September 30, 2021 compared to ₱3.3 million for the nine months ended September 30, 2020. The increase was mainly due to higher interest and penalties collected for late payment of rentals by tenants.

The Company's interest expense and other financing charges decreased by ₱29.6 million, or 10.0%, to ₱267.0 million for the nine months ended September 30, 2021 compared to ₱296.6 million for the nine months ended September 30, 2020. 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 nine months ended September 30, 2021 was ₱1,491.7 million, a decrease of ₱72.1 million or, 4.6%, from its income before income tax of ₱1,563.8 million recorded for the nine months ended September 30, 2020 due to reasons stated above.

Provision for (benefit from) Income Tax

The Company recognized a benefit from income tax of ₱269.6 million for the nine months ended September 30, 2021, and provision for income tax of ₱62.9 million for the nine months ended September 30, 2020. The benefit mainly arose from the deferred tax liability derecognized in relation to property dividends, change in tax rate due to CREATE and REIT listing of the Company.

Net Income

As a result of the foregoing, net income increased by 27.8% or ₱369.4 million from ₱1,329.0 million for the nine months ended September 30, 2020 to ₱1,698.4 million for the nine months ended September 30, 2021.

Financial Condition as of September 30, 2021 compared to as of December 31, 2020

The Company's assets were ₱14,255.9 million as of September 30, 2021, a decrease of ₱10,973.6 million, or 43.5%, from assets of ₱25,229.5 million as of December 31, 2020.

Assets

Cash and cash equivalents

The Company's cash and cash equivalents were ₱2,894.6 million as of September 30, 2021, an increase of ₱2,024.2 million, or 233.5%, from cash and cash equivalents of ₱870.5 million as of December 31, 2020, due to assignment of projects to Filinvest, its Parent. There is also lower disbursement for cost and expenses, including interest and other financing charges, as a result of property dividends and assignment of projects.

Receivables

The Company's receivables were ₱619.9 million as of September 30, 2021, a decrease of ₱210.3 million, or 25.3%, from receivables of ₱830.1 million as of December 31, 2020, primarily due to collection of receivables and transfer of accounts of operating projects that were distributed thru dividends and assignment to FLI. The dividends were approved by SEC last July 15, 2021.

Other current assets

The Company's other current assets were ₱139.5 million as of September 30, 2021, a decrease of ₱1,031.9 million, or 88.1%, from other current assets of ₱1,171.3 million as of December 31, 2020. This decrease was due to the utilization of the Company's input VAT in relation to the property dividends and assignment of BTO rights for Cebu Towers 3 and 4.

Noncurrent assets held for distribution

The Company's other noncurrent assets held for distribution were nil as of September 30, 2021, a decrease of ₱6,843.7 million, or 100%, from other noncurrent assets held for distribution of ₱6,843.7 million as of December 31, 2020. The decrease was caused by the actual distribution of assets as part of the dividend declaration which was approved last July 15, 2021 by SEC.

Advances to contractors

The Company's advances to contractors were ₱3.7 million as of September 30, 2021, a decrease of ₱14.7 million, or 80.1%, from advances to contractors of ₱18.4 million as of December 31, 2020, due to transfer of project to FLI. As of September 30, 2021, the Company does not have projects under construction.

Investment properties

The Company's investment properties were ₱9,207.0 million as of September 30, 2021, a decrease of ₱2,422.8 million, or 20.8%, from investment properties of ₱11,629.8 million as of December 31, 2020 primarily due to the property dividends declared on February 11, 2021 to stockholders of record as of February 15, 2021, consisting of four existing buildings, (i) Concentrix Building in Northgate Cyberzone, (ii) IT School in Northgate Cyberzone, (iii) the Filinvest Building at EDSA, Wack Wack, Mandaluyong City, which have been identified for redevelopment, and (iv) rights on Cebu Tower 2 in Filinvest Cyberzone Cebu which is yet to qualify for 3 year income generating period to qualify as a REIT asset.

Property and equipment

The Company's property and equipment was ₱68.5 million as of September 30, 2021, an increase of ₱0.09 million, or 0.1%, from property and equipment of ₱68.4 million as of December 31, 2020, 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 ₱1,069.1 million as of September 30, 2021, a decrease of ₱2,339.7 million, or 68.6%, from intangible assets of ₱3,408.8 million as of December 31, 2020. The decrease was primarily driven by the inclusion of Cebu Tower 2 in the properties declared for dividend distribution and the assignment of Cebu Towers 3 and 4 to FLI.

Other noncurrent assets

The Company's other noncurrent assets were ₱253.6 million as of September 30, 2021, a decrease of ₱134.8 million, or 34.7%, from other noncurrent assets of ₱388.4 million as of December 31, 2020, primarily due to transfer of DCS connection charges related to properties declared as dividends and assigned to FLI.

Liabilities

The Company's liabilities were ₱7,882.1 million as of September 30, 2021, a decrease of ₱12,241.4 million, or 60.8%, from liabilities of ₱20,123.5 million as of December 31, 2020.

Accounts payable and accrued expenses

The Company's accounts payable and other current liabilities were ₱1,117.5 million as of September 30, 2021, a decrease of ₱466.3 million, or 29.4%, from accounts payable and other current liabilities of ₱1,583.7 million as of December 31, 2020, primarily due to transfer accounts such as advances from tenants retention payable, which are related to projects assigned and declared as dividends to FLI.

Loans payable – current portion

The Company's loan payables – current portion was nil as of September 30, 2021, compared to loan payables – current portion of ₱744.2 million as of December 31, 2020, as the Company's loans were assigned to FLI as consideration for additional capital subscription in the Company in the amount of ₱3,746.3 million.

Lease liabilities – current portion

The Company's lease liabilities – current portion were ₱1.8 million as of September 30, 2021, a decrease of ₱90.8 million, or 98.0%, from lease liabilities – current portion of ₱92.6 million as of December 31, 2020 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

The Company's Security and other deposits were ₱748.7.1 million as of September 30, 2021, a decrease of ₱100.4 million, or 11.8%, from Security and other deposits of ₱849.1 million as of December 31, 2020, primarily due to transfer accounts such as deposits and construction bond from tenants, which are related to projects assigned and declared as dividends to FLI.

Dividend Payable

The Company's dividends payable is nil as of September 30, 2021, an decrease of 100%, from a dividend payable of ₱6,611.9 million as of December 31, 2020. The Company's First Property Dividend and the Second Property Dividends was distributed upon the approval of SEC last July 15, 2021.

Loans payable – net of current portion

The Company's loans payable – net of current portion was nil as of September 30, 2021, compared to loans payable – net of current portion of ₱1,600.0 million as of December 31, 2020, as the Company's loans were assigned to FLI as consideration for additional capital subscription in the Company in the amount of ₱3,746.3 million.

Bonds payable

The Company's bonds payable were ₱5,983.8 million as of September 30, 2021, an increase of ₱9.6 million, or 0.1%, from bonds payable of ₱5,974.2 million as of December 31, 2020 due to amortization of bond issuance costs.

Lease Liabilities – net of current portion

The Company's lease liabilities – net of current portion were ₱26.5 million as of September 30, 2021, a decrease of ₱2,071.0 million, or 98.7%, from lease liabilities – net of current portion of ₱2,097.5 million as of December 31, 2020 due to the derecognition of lease liabilities for the properties in Northgate Cyberzone which were transferred to FLI.

Deferred tax liability – net

The Company's deferred tax liability – net of deferred tax asset, was nil as of September 30, 2021, a decrease of ₱269.9 million, or 100%, from the deferred tax liability – net, of ₱269.9 million as of December 31, 2020, primarily due to derecognition of deferred tax on lease liabilities related to property dividends. The Company also derecognized its remaining deferred tax liabilities – net, as it is now a REIT listed entity is expected to have zero taxable income in the future, due to inclusion of cash dividends distribution, as allowable deduction in computing taxable income.

Other noncurrent liabilities

The Company's other noncurrent liabilities were ₱3.8 million as of September 30, 2021, a decrease of ₱296.6 million, or 98.7%, from other noncurrent liabilities of ₱300.4 million as of December 31, 2020, primarily due to transfer of retention payable of projects assigned and declared as dividends to FLI.

Capital stock and additional paid-in capital

The Company's Capital stock and additional paid-in capital were ₱4,964.7 million as of September 30, 2021, an increase of ₱3,698.4 million, or 292.1%, from Capital stock and additional paid-in capital of ₱1,266.3 million as of December 31, 2020. On July 2, 2021, SEC approved and issue 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 trust investment and increased its capital stock from 2,000,000,000 shares with par value of P1.00 each, to 14,263,698,000 shares with par value of P0.50 each. The Company's shares were listed in the Philippine Stock Exchange on August 12, 2021.

Performance Indicators

Financial Ratios	Particulars	Period ended September 30, 2021	Period ended Dec. 31, 2020
Earnings per Share	<u>Net Income</u> Weighted Ave. number of outstanding shares	0.61	0.80
Current Ratio	<u>Current Asset</u> Current Liabilities	2.94	1.06
Debt to Equity Ratio	<u>Long Term Debt</u> Total Stockholder's Equity	0.94 : 1	1.63 : 1
Asset to Equity Ratio	<u>Total Asset</u> Total Equity	2.24 : 1	4.94 : 1
Return on Asset	<u>Net Income</u> Total Asset	0.12	0.07
Return on Equity	<u>Net Income</u> Total Equity	0.27	0.36
Debt Service Coverage Ratio	<u>Earnings before Interest Taxes and Depreciation</u> Debt service (<i>Loan principal + interest payments</i>)	7.63 : 1	1.48 : 1

PART II - OTHER INFORMATION

Item 3. Business Development/New Projects

CPI is one of the first companies to operate as a major BPO-centric lease provider outside Makati, Bonifacio Global City, and Ortigas., CPI 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. CPI 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 parent company FLI.

As of September 30, 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.

No.	Building Name	GLA (SQM)	Occupancy Rate	PEZA Registered	LEED Certification
	REIT Buildings				
1	Plaz@ A	10,860	100%	Yes	N.A.
2	Plaz@ B	6,488	81.1%	Yes	N.A.
3	Plaz@ C	6,540	100%	Yes	N.A.
4	Plaz@ D	10,860	83.2%	Yes	N.A.
5	Plaz@ E	14,859	100%	Yes	N.A.
6	Capital One Building	18,000	100%	Yes	N.A.
7	5132 Building	9,409	100%	Yes	N.A.
8	iHub 1	9,480	59.6%	Yes	N.A.
9	iHub 2	14,181	100%	Yes	N.A.
10	Vector One	17,764	92%	Yes	N.A.
11	Vector Two	17,889	100%	Yes	N.A.
12	Vector Three	36,345	68.3%	Yes	LEED Gold
13	Filinvest One	19,637	100%	Yes	N.A.
14	Filinvest Two	23,784	100%	Yes	N.A.
15	Filinvest Three	23,784	44.7%	Yes	N.A.
16	Axis Tower One	40,869	88.7%	Yes	LEED Gold
17	Cebu Tower 1	20,612	99.1%	Yes	N.A.

As of end September 2021, 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 CPI 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 CPI'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 is currently at 36.74%
- B. There are no material events subsequent to the interim period that have not been reflected in the financial statements for the interim period
- C. The company has no material contingent financial obligations.
- D. 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.
- E. 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.
- F. 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.
- G. Projected capital expenditures for 2021 is for upkeep, upgrade, and refurbishment of the Company's properties. These will be funded through the Company's cash from operating activities.

- H. 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.
- I. There are no significant elements of income or loss that did not arise from continuing operations

ANNEX A

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

Aging of Receivables

As of September 30, 2021

	Current	1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
Trade Receivables	491,143,369	40,047,654	7,017,483	6,075,957	15,062,827	60,239,635	619,586,925
Others	271,587	-	-	-	-	-	271,587
Total	491,414,956	40,047,654	7,017,483	6,075,957	15,062,827	60,239,635	619,858,512

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****September 30, 2021**

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 September 30, 2021, the Company has Philippine Long Distance Telephone Company, Inc. (PLDT) shares amounting to ₱2,000 and Short term deposits amounting to ₱1,119,205,933 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 September 30, 2021, the Company has no non-current marketable equity securities, other long-term investments in stocks, and other investments.

Schedule C. Intangible Asset

As of September 30, 2021, 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.

	2021	2020
BTO rights	<u>₱1,069,103,652</u>	<u>₱3,408,827,424</u>

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 Parent Company at a consideration equivalent to the cost of the properties upon assignment. On March 31, 2021, CPI 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 parent 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 The bonds shall be repaid at maturity at par or 100% of face value	5,983,806	-	5,983,806
	<u>P5,983,806</u>	<u>P</u>	<u>P5,983,806</u>

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 September 30, 2021, 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 September 30, 2021, 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 September 30, 2021.

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	—	3,095,171	14	1,797,607

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

SEPTEMBER 30, 2021

	2021 6 Billion Bond
<u>Expected gross and net proceeds as disclosed in the prospectus</u>	
Gross Proceeds	P6,000,000,000
Less: Expenses	68,308,996
Net Proceeds	P5,931,691,004
Actual gross and net proceeds	P6,000,000,000
Less: Expenses	70,166,033
Net Proceeds	P5,929,833,967
<u>Expenditure items where the proceeds were used</u>	
Project Development	P5,929,833,967
Land Acquisition	-
Investment Property	-
Debt refinancing	-
Net Proceeds	P5,929,833,967
<u>Balance of the proceeds as of March 31, 2021</u>	
Net Proceeds	P5,929,833,967
Capital Expenses	P5,929,833,967
Debt refinancing	-
Net Proceeds	P-

Schedule I. Schedule of Consolidated Income Statement after REIT Listing

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

SCHEDULE OF CONSOLIDATED INCOME STATEMENT AFTER REIT LISTING

SEPTEMBER 30, 2021

	Nine Months Period Ended September 30, 2021		
	Pre-IPO (Jan 1 to Aug 11)	Post-IPO (Aug 12 to Sept 30)	Total
REVENUES AND INCOME			
Rental revenue	₱1,687,145,481	₱339,614,045	₱2,026,759,526
Others (Notes 17)	670,190,403	128,734,585	798,924,988
	<u>2,357,335,884</u>	<u>468,348,630</u>	<u>2,825,684,514</u>
COSTS AND EXPENSES			
Utilities	258,144,712	51,007,240	309,151,952
Depreciation and amortization	275,975,708	57,613,202	333,588,910
Rental expense	169,662,418	37,779,402	207,441,820
Manpower and service cost	125,587,791	23,276,941	148,864,732
Repairs and maintenance	110,726,100	13,708,761	124,434,861
Taxes and licenses	52,088,925	17,266,904	69,355,829
Insurance	12,449,394	168,915	12,618,309
Service and management fees	24,103,158	24,985,341	49,088,499
Others	5,687,464	519,459	6,206,923
	<u>1,034,425,669</u>	<u>226,326,165</u>	<u>1,260,751,834</u>
OTHER INCOME (CHARGES)			
Gain on derecognition of lease liabilities	189,183,041	—	189,183,041
Interest income	1,651,880	4,219,622	5,871,502
Interest and other financing charges	(222,791,392)	(44,183,171)	(266,974,563)
Other income (charges) – net	(1,280,701)	(79,074)	(1,359,775)
	<u>(33,237,173)</u>	<u>(40,042,622)</u>	<u>(73,279,795)</u>
INCOME BEFORE INCOME TAX	<u>1,289,673,043</u>	<u>201,979,842</u>	<u>1,491,652,885</u>
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	62,852,579	—	62,852,579
Deferred	(88,403,555)	(181,244,558)	(269,648,113)
	<u>(25,550,976)</u>	<u>(181,244,558)</u>	<u>(206,795,534)</u>
NET INCOME	<u>1,315,224,019</u>	<u>383,224,400</u>	<u>1,698,448,419</u>

Schedule J. Schedule of Consolidated Cash Flow Statement after REIT Listing

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

**SCHEDULE OF CONSOLIDATED CASH FLOW STATEMENT AFTER REIT LISTING
SEPTEMBER 30, 2021**

	Nine Months Period Ended September 30		
	Pre-IPO (Jan 1 to Aug 11)	Post-IPO (Aug 12 to Sept 30)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,289,673,043	₱201,979,842	₱1,491,652,885
Adjustments for:			
Depreciation and amortization	275,975,708	57,613,202	333,588,910
Interest expense and other financing changes	222,791,392	44,183,171	266,974,563
Gain on derecognition of lease liability	(189,183,041)	—	(189,183,041)
Interest income	(1,651,880)	(4,219,622)	(5,871,502)
Operating income before changes in operating assets and liabilities	1,597,605,222	299,556,593	1,897,161,815
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	(761,796,550)	1,545,997,022	784,200,472
Other current assets	1,250,109,888	(196,357,864)	1,053,752,024
Increase (decrease) in:			
Accounts payable and accrued expenses	(197,522,302)	(268,728,529)	(466,250,831)
Security and other deposits	(4,002,019)	(96,420,262)	(100,422,281)
Other noncurrent liabilities	164,351,429	(462,328,858)	(297,977,429)
Net cash generated from operations	2,048,745,668	821,718,102	2,870,463,770
Interest received	1,651,880	4,219,622	5,871,502
Income tax paid	(21,872,968)	—	(21,872,968)
Net cash provided by operating activities	2,028,524,580	825,937,724	2,854,462,304
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties	(63,809,763)	(12,209,017)	(76,018,780)
Intangible assets	(25,702,798)	(4,432,513)	(30,135,311)
Property and equipment	(15,004,160)	(846,366)	(15,850,526)
Decrease (increase) in:			
Advances to contractors	(11,736,488)	26,461,815	14,725,327
Other noncurrent assets	133,747,397	1,048,037	134,795,434
Net cash provided by (used) in investing activities	17,494,190	10,021,957	27,516,145
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of:			
Principal portion of lease liability	(13,150,845)	(154,007)	(13,304,852)
Interest and transaction cost	(204,507,347)	(44,183,171)	(248,690,519)
Dividends Payable	—	(547,991,131)	(547,991,131)
Increase of Capital Stock	(47,831,415)	—	(47,831,415)
Loans payable	—	—	—
Net cash provided by (used) in financing activities	(265,489,607)	(592,328,309)	(857,817,916)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,780,529,162	243,631,372	2,024,160,533
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	870,517,532	—	870,517,532
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱2,651,046,694	₱243,631,372	₱2,894,678,065

Schedule K. 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, 2021	₱1,950,125,348
Less: Deferred tax assets as of December 31, 2020	(269,207,450)
Retained Earnings, as adjusted to amount available for dividend declaration, beginning	1,680,917,898
Net income based on the face of unaudited financial statements	1,698,448,419
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	1,698,448,419
Add (less):	
Movement in deferred tax assets	269,207,450
Property Dividend declaration during the period	(1,690,426,790)
Cash Dividend declaration during the period	(547,991,131)
Appropriations of retained earnings during the period	-
Unappropriated Retained Earnings, as adjusted, September 30, 2021	₱1,410,155,846

Part III - 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:

November 15, 2021

Signature:



Ana Venus A. Mejia

Title:

Chief Financial Officer

Date:

November 15, 2021

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

October 15, 2021

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: 2021 Third Quarter Progress Report on the Use of Proceeds from the Initial Public
Offering ("IPO") of Filinvest REIT Corp. ("FILRT")

Dear Ms. Encarnacion,

We hereby submit our Progress Report on the Use of Proceeds for the Third Quarter of 2021, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

The IPO proceeds are fully from the Secondary offer of shares owned by Filinvest Land Inc. Please be advised that as of September 30, 2021, the remaining balance of the proceeds from the FILRT IPO amounts to Ten Billion Five Hundred Sixty Four Million Six Hundred Eighty Nine Thousand Seventy Two Pesos and Twenty Six centavos (Php 10,564,689,072.26) as indicated below:

	<u>Philippine Pesos</u>
Gross Proceeds from IPO	12,583,246,445.00
less:	
Purchase of shares during the stabilization period	(2,281,799.73)
Underwriters and IPO related fees deducted from proceeds	(316,945,305.82)
Net proceeds received	12,264,019,899.45
less: Disbursement for Transaction costs	(132,542,600.57)
Disbursement for Reinvestment Plan (Annex)	(1,566,787,666.62)
Net balance of IPO proceeds as of September 30 2021	10,564,689,072.26

Thank you.

Respectfully yours,


ANA VENUS A. MEJIA
Chief Finance Officer

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)

CITY OF MANDALUYONG) S.S.

I certify that on OCT 15 2021, 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.

FLI TIN: 000-533-224-000

Represented by:

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.

Doc. No. 307
Page No. 63
Book No. 34
Series of 2021.

JOVEN G. SEVILLANO

NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-21 UNTIL DECEMBER 31, 2022
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 4581076; 1-4-21; MANDALUYONG
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022
METRO MART COMPLEX, MANDALUYONG CITY

FILINVEST LAND, INC.

79 EDSA, Highway Hills
Mandaluyong City, Metro Manila
Trunk line: (632) 918-8188
Customer hotline: (632) 588-1888
Fax number: (632) 918-8189
www.filinvestland.com

ANNEX A- Disbursements from August 13 to September 30, 2021

Project Name	Disbursing Entity	Amount
Axis Three	Filinvest Land, Inc.	426,856,231.03
Axis Four	Filinvest Land, Inc.	368,883,104.82
Cebu Tower 3	Filinvest Land, Inc.	89,003,459.40
Cebu Tower 4	Filinvest Land, Inc.	66,964,038.96
Columna	Filinvest Land, Inc.	22,232,993.99
387 Gil Puyat	Filinvest Cyberparks Inc	34,644,230.20
PDDC	Phil. DCS Development Corp.	370,963.32
Marina Town Mall	Filinvest Land, Inc.	14,843,258.53
Clark Lifestyle Mall	Filinvest Cyberzone Mimosa Inc	53,017,112.84
Panglao Oasis	Filinvest Land, Inc.	19,436,889.45
Alta Spatial	Filinvest Land, Inc.	61,152,633.67
Verde Spatial	Filinvest Land, Inc.	26,431,861.01
Bali Oasis	Filinvest Land, Inc.	10,232,709.20
Befize Oasis	Filinvest Land, Inc.	5,025,428.96
Raw Land	Filinvest Land, Inc.	264,575,693.71
Dreambuilders capex	Filinvest Land, Inc.	103,117,057.53
TOTAL		1,566,787,666.62

Performance Report for the Third Quarter of 2021

15 November 2021

This document was prepared by FREIT Fund Managers, Inc. (“FFMI”) for Filinvest REIT Corp. (“FILRT” or the “Company”) in compliance with the reportorial requirements of the REIT Implementing Rules & Regulations under Republic Act No. 9856.

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A. USE OF PROCEEDS

All proceeds from the listing of FILRT common shares on August 12, 2021 were received by the Selling Shareholder Filinvest Land, Inc. (FLI). FILRT did not receive any proceeds from the offer.

We are attaching a copy of FLI's Reinvestment Plan Progress Report filed last October 15, 2021, which contains FLI's application of proceeds from the offer for the 3rd Quarter of 2021.

B. FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 SEPTEMBER 2021

	Nine months Period ended September 30, 2021
Interim Statement of Comprehensive Income	
REVENUES AND INCOME	
Rental revenue	P2,026,759,526
Others (Notes 17)	798,924,988
	<u>2,825,684,514</u>
COSTS AND EXPENSES	
Utilities	309,151,952
Depreciation and amortization	333,588,910
Rental expense	207,441,820
Manpower and service cost	148,864,732
Repairs and maintenance	124,434,861
Taxes and licenses	69,355,829
Insurance	12,618,309
Service and management fees	49,088,499
Others	6,206,922
	<u>1,260,751,834</u>
OTHER INCOME (CHARGES)	
Gain on derecognition of lease liabilities	189,183,041
Interest income	5,871,502
Interest and other financing charges	(266,974,563)
Other income (charges) – net	(1,359,775)
	<u>(73,279,795)</u>
INCOME BEFORE INCOME TAX	<u>1,491,652,885</u>
PROVISION FOR (BENEFIT FROM) INCOME TAX	
Current	62,852,579
Deferred	(269,648,113)
	<u>(206,795,534)</u>
NET INCOME	<u>1,698,448,419</u>
OTHER COMPREHENSIVE INCOME	<u>(1,127,328)</u>
TOTAL COMPREHENSIVE INCOME	<u>1,697,321,091</u>

Income from Related Parties for the nine months ended September 30, 2021

Affiliate	Amount
FESTIVAL SUPERMALL INC.	1,970,359
FILINVEST ALABANG, INC.	53,330,063
FILINVEST LAND, INC.	18,723,897
FILINVEST HOSPITALITY CORPORATION	5,472,021
PRO EXCEL PROPERTY MANAGERS INC.	3,462,111
CHROMA HOSPITALITY INC.	5,328,356
DREAMBUILDERS PRO INC.	1,966,864
CORPORATE TECHNOLOGIES INCORPORATED	1,849,565
Total	92,103,236

Interim Statement of Cash Flows for the Nine Months Ended 30 September 2021

	2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Income before income tax	₱1,491,652,885
Adjustments for:	
Depreciation and amortization	333,588,910
Interest expense and other financing changes	266,974,563
Gain on derecognition of lease liability	(189,183,041)
Interest income	(5,871,502)
Operating income before changes in operating assets and liabilities	1,897,161,815
Changes in operating assets and liabilities	
Decrease (increase) in:	
Receivables	784,200,472
Other current assets	1,053,752,024
Increase (decrease) in:	
Accounts payable and accrued expenses	(466,250,831)
Security and other deposits	(100,422,281)
Other noncurrent liabilities	(297,977,429)
Net cash generated from operations	2,870,463,770
Interest received	5,871,502
Income tax paid	(21,872,968)
Net cash provided by operating activities	2,854,462,304
CASH FLOWS FROM INVESTING ACTIVITIES	
Additions to:	
Investment properties	(76,018,780)
Intangible assets	(30,135,311)
Property and equipment	(15,850,526)
Decrease (increase) in:	
Advances to contractors	14,725,327
Other noncurrent assets	134,795,434
Net cash provided by (used) in investing activities	27,516,145
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from availments of loans payable	–
Payments of:	
Principal portion of lease liability	(13,304,852)
Interest and transaction cost	(248,690,519)
Dividends Payable	(547,991,131)
Increase of Capital Stock	(47,831,415)
Loans payable	–
Net cash provided by (used) in financing activities	(857,817,916)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,024,160,533
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	870,517,532
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱2,894,678,065

Schedule of income statement after REIT listing

	Nine Months Period Ended September 30, 2021		
	Pre-IPO (Jan 1 to Aug 11)	Post-IPO (Aug 12 to Sept 30)	Total
REVENUES AND INCOME			
Rental revenue	₱1,687,145,481	₱339,614,045	₱2,026,759,526
Others (Notes 17)	670,190,403	128,734,585	798,924,988
	2,357,335,884	468,348,630	2,825,684,514
COSTS AND EXPENSES			
Utilities	258,144,712	51,007,240	309,151,952
Depreciation and amortization	275,975,708	57,613,202	333,588,910
Rental expense	169,662,418	37,779,402	207,441,820
Manpower and service cost	125,587,791	23,276,941	148,864,732
Repairs and maintenance	110,726,100	13,708,761	124,434,861
Taxes and licenses	52,088,925	17,266,904	69,355,829
Insurance	12,449,394	168,915	12,618,309
Service and management fees	24,103,158	24,985,341	49,088,499
Others	5,687,464	519,459	6,206,923
	1,034,425,669	226,326,165	1,260,751,834
OTHER INCOME (CHARGES)			
Gain on derecognition of lease liabilities	189,183,041	—	189,183,041
Interest income	1,651,880	4,219,622	5,871,502
Interest and other financing charges	(222,791,392)	(44,183,171)	(266,974,563)
Other income (charges) – net	(1,280,701)	(79,074)	(1,359,775)
	(33,237,173)	(40,042,622)	(73,279,795)
INCOME BEFORE INCOME TAX	1,289,673,043	201,979,842	1,491,652,885
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	62,852,579	—	62,852,579
Deferred	(88,403,555)	(181,244,558)	(269,648,113)
	(25,550,976)	(181,244,558)	(206,795,534)
NET INCOME	1,315,224,019	383,224,400	1,698,448,419

Schedule of Cash flow statement after REIT listing

	Nine Months Period Ended September 30		
	Pre-IPO (Jan 1 to Aug 11)	Post-IPO (Aug 12 to Sept 30)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,289,673,043	₱201,979,842	₱1,491,652,885
Adjustments for:			
Depreciation and amortization	275,975,708	57,613,202	333,588,910
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Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	(761,796,550)	1,545,997,022	784,200,472
Other current assets	1,250,109,888	(196,357,864)	1,053,752,024
Increase (decrease) in:			
Accounts payable and accrued expenses	(197,522,302)	(268,728,529)	(466,250,831)
Security and other deposits	(4,002,019)	(96,420,262)	(100,422,281)
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Income tax paid	(21,872,968)	–	(21,872,968)
Net cash provided by operating activities	2,028,524,580	825,937,724	2,854,462,304
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties	(63,809,763)	(12,209,017)	(76,018,780)
Intangible assets	(25,702,798)	(4,432,513)	(30,135,311)
Property and equipment	(15,004,160)	(846,366)	(15,850,526)
Decrease (increase) in:			
Advances to contractors	(11,736,488)	26,461,815	14,725,327
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Net cash provided by (used) in investing activities	17,494,190	10,021,957	27,516,145
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of:			
Principal portion of lease liability	(13,150,845)	(154,007)	(13,304,852)
Interest and transaction cost	(204,507,347)	(44,183,171)	(248,690,519)
Dividends Payable	–	(547,991,131)	(547,991,131)
Increase of Capital Stock	(47,831,415)	–	(47,831,415)
Loans payable	–	–	–
Net cash provided by (used) in financing activities	(265,489,607)	(592,328,309)	(857,817,916)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,780,529,162	243,631,372	2,024,160,533
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	870,517,532	–	870,517,532
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱2,651,046,694	₱243,631,372	₱2,894,678,065

Financial Performance Indicators as of 30 September 2021

Financial Ratios	Particulars	Period ended September 30, 2021
Earnings per Share	<u>Net Income</u> Weighted Ave. number of outstanding shares	0.61
Current Ratio	<u>Current Asset</u> Current Liabilities	2.94
Debt to Equity Ratio	<u>Long Term Debt</u> Total Stockholder's Equity	0.94 : 1
Asset to Equity Ratio	<u>Total Asset</u> Total Equity	2.24 : 1
Return on Asset	<u>Net Income</u> Total Asset	0.12
Return on Equity	<u>Net Income</u> Total Equity	0.27
Debt Service Coverage Ratio	<u>Earnings before Interest Taxes and Depreciation</u> Debt service (<i>Loan principal + interest payments</i>)	7.63 1

Current Price per Share and Total Capitalization as of 30 September 2021

Market price per share ₱ 7.22
 Market capitalization ₱ 35,325,857,117

C. ASSET PERFORMANCE

Revenue	For the period ending September 30, 2021 (Unaudited)	
	(P thousands)	(%)
Plaz@ A	109,216	3.9%
Plaz@ B	59,536	2.1%
Plaz@ C	63,484	2.2%
Plaz@ D	88,331	3.1%
Plaz@ E	156,739	5.5%
Capital One Building	146,139	5.2%
5132 Building	93,999	3.3%
iHub 1	65,595	2.3%
iHub 2	140,318	5.0%
Vector One	158,338	5.6%
Vector Two	175,544	6.2%
Vector Three	246,943	8.7%
Filinvest One	170,617	6.0%
Filinvest Two	232,200	8.2%
Filinvest Three	115,470	4.1%
Axis Tower One	362,610	12.8%
Cebu Tower 1	168,999	6.0%
Non-REIT Buildings	271,607	9.6%
Total	2,825,685	100%

Rental Income	For the period ending September 30, 2021 (Unaudited)	
	(P thousands)	(%)
Plaz@ A	74,720	3.7%
Plaz@ B	44,105	2.2%
Plaz@ C	42,859	2.1%
Plaz@ D	59,948	3.0%
Plaz@ E	108,709	5.4%
Capital One Building	140,116	6.9%
5132 Building	64,450	3.2%
iHub 1	42,408	2.1%
iHub 2	95,776	4.7%
Vector One	110,759	5.5%
Vector Two	122,652	6.1%
Vector Three	166,683	8.2%
Filinvest One	137,903	6.8%
Filinvest Two	157,503	7.8%
Filinvest Three	79,800	3.9%
Axis Tower One	270,879	13.4%
Cebu Tower 1	124,417	6.1%
Non-REIT Buildings	183,071	9.0%
Total	2,026,760	100%

Net Income	For the period ending September 30, 2021 (Unaudited)	
	(P thousands)	(%)
Plaz@ A	65,777	3.9%
Plaz@ B	34,848	2.1%
Plaz@ C	41,951	2.5%
Plaz@ D	49,383	2.9%
Plaz@ E	98,394	5.8%
Capital One Building	105,897	6.2%
5132 Building	59,916	3.5%
iHub 1	34,392	2.0%
iHub 2	92,035	5.4%
Vector One	80,047	4.7%
Vector Two	112,579	6.6%
Vector Three	131,036	7.7%
Filinvest One	96,178	5.7%
Filinvest Two	125,484	7.4%
Filinvest Three	42,699	2.5%
Axis Tower One	247,974	14.6%
Cebu Tower 1	42,587	2.5%
Non-REIT Buildings	237,269	14.0%
Total	1,698,448	100%

The table below shows the occupancy rates of the buildings under FILRT:

FILRT PROJECTS				
BUILDING		GLA	LEASED AREA	OCCUPANCY RATE
1	Plaz@ A	10,860	10,860	100%
2	Plaz@ B	6,488	5,259	81%
3	Plaz@ C	6,540	6,540	100%
4	Plaz@ D	10,860	9,035	83%
5	Plaz@ E	14,859	14,859	100%
6	iHub 1	9,480	5,646	60%
7	iHub 2	14,181	14,181	100%
8	5132 Bldg.	9,409	9,409	100%
9	Capital One Bldg.	18,000	18,000	100%
10	Vector One	17,764	16,348	92%
11	Vector Two	17,889	17,889	100%
12	Vector Three	36,345	24,813	68%
13	Filinvest One	19,637	19,637	100%
14	Filinvest Two	23,784	23,784	100%
15	Filinvest Three	23,784	10,634	45%
16	Axis Tower One	40,869	36,251	89%
17	Cyberzone Cebu Tower 1	20,612	20,431	99%
	TOTAL	301,362	263,576	87%

D. Adjusted Funds from Operations for the Three Months Ended 30 September 2021

Adjusted Funds from operations and Investment Return

(in thousand pesos except per share data)	ACTUAL 3Q 2021	ACTUAL YTD 9M 2021
Net Income after tax	648,165	1,698,448
Distribution Adjustments - Gain on derecognition of lease liabilities	(104,008)	(189,183)
Distribution Adjustments - benefit from income tax	(109,071)	(269,648)
Distributable Income	435,086	1,239,617
Add: Depreciation	90,856	311,009
Funds from Operations (FFO)	525,942	1,550,626
Capital expenditures on existing investment properties	(31,539)	(122,005)
Straight-line rent adjustments	(45,014)	(75,087)
Adjusted funds from operations (AFFO)	449,389	1,353,535

	ACTUAL 3Q 2021	ACTUAL YTD 9M 2021
Cash Dividend Distribution	547,991	547,991
Dividend per share for the Quarter	0.112	0.112
Annualized Dividend Yield per at IPO Price	6.4%	6.4%
Cash dividend payout rate vs Distributable income	126%	44%

	ACTUAL YTD 9M 2021
Property Dividend Distributed in Q1, 2021	1,690,427
Total Dividend declared for the period ended September 30, 2021	2,238,418
Total Dividend payout rate vs Distributable income	181%

As of September 30, 2021, FILRT distributed total cash dividends of Php 547,991,131 equivalent to Php 0.112 per outstanding common share. The cash dividends were declared on August 31, 2021, for Stockholders of record as of September 15, 2021, and were paid on September 30, 2021.

	Total Dividends	Dividends Per Share
FILRT Properties	Php 547,991,131	Php 0.112

The dividend per share of P0.112 is equivalent to annualized dividend yield of 6.4% which is slightly higher than the annualized dividend yield of 6.3% for 2021 as forecasted in the FILRT REIT Plan. This is also compliant to Section 4 of the Implementing Rules and Regulations of the Real Estate Investment Trust (REIT) Act of 2009 (R.A. No. 9856), particularly on dividend distribution which requires a minimum of 90% of its distributable income for the related period of 2Q 2021.

E. OTHER PERFORMANCE METRICS

The table below is the tenancy mix as of September 30, 2021, which shows that majority are BPO and traditional office tenants.

Tenant Mix	Percentage
	As of end of Sept
BPO	90.70%
Traditional	7.80%
Retail	0.60%
POGO	0.90%
Total Leased	100.00%

Office Industry Benchmarks

FILRT properties performed better than industry average in terms of occupancy rate. Average rent per square meter and rental escalations are also at par with industry.

	Alabang	Cebu
Occupancy rate	84%	76%
Average rent/sq. m ¹	₱ 550-750	₱ 550-650

Source: Colliers International Q3 2021 Property Market Briefing

F. CURRENT VALUATION OF FILRT PROPERTIES

The Properties were valued by Asian Appraisal as of March 31, 2021 as follows:

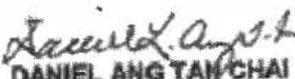
Property	Valuation ⁽¹⁾	Percentage of Total Valuation
	(₱ millions)	(%)
Axis Tower 1	6,442.0	13.3%
Filinvest One	3,423.3	7.0%
Filinvest Two	4,180.0	8.6%
Filinvest Three	3,716.1	7.6%
Vector One	2,768.8	5.7%
Vector Two	3,134.1	6.5%
Vector Three	6,053.1	12.5%
Plaza A	1,655.0	3.4%
Plaza B	893.4	1.8%
Plaza C	1,034.4	2.1%
Plaza D	1,483.1	3.1%
Plaza E	2,421.0	5.0%
iHub1	1,449.0	3.0%
iHub2	2,335.6	4.8%
5132 Building	1,442.9	3.0%
Capital One	2,997.8	6.2%
Cebu Tower 1	3,117.7	6.4%
Total	48,547.4	100.0%

CERTIFICATION

This PERFORMANCE REPORT was prepared and assembled under our supervision in accordance with existing rules of the Securities and Exchange Commission. The information and data provided herein are complete, true, and correct to the best of our knowledge and/or based on authentic records:

By:

FREIT FUND MANAGERS, INC.
Fund Manager for Filinvest REIT Corp.


DANIEL ANG TAN CHAI
President and Chief Executive Officer


DANILO CALILAP
Treasurer & CFO

NOV 16 2021

SUBSCRIBED AND SWORN to before me this _____ day of November 2021 at Mandaluyong City with the affiant/s exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
FREIT Fund Managers, Inc. Represented by: Daniel L. Ang Tan Chai	Passport ID No. P0759790B	February 20, 2019 / DFA NCR Central
Danilo Calilap	Unified Multi-Purpose ID No. CRN-0003-6310779-2	

Doc. No. 80;
Page No. 17;
Book No. 38;
Series of 2021.

JOVEN G. SEVILANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-21 UNTIL DECEMBER 31, 2022
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 4581076; 1-4-21; MANDALUYONG
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022
METRO MART COMPLEX, MANDALUYONG CITY