COVERSHEET

SEC Registration Number

A	2	0	0	0	-	0	0	6	5	2

COMPANY NAME

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

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17A	SEC	N/A

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	5/30	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATIONS CODE AND SECTION
141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended **December 31, 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)

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

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

CYBERZONE PROPERTIES INC.
9. Former name, former address, and former fiscal year, if changed since last report

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

Title of Each Class	**Number of shares of Common Stock Outstanding**	**Amount of Debt Outstanding**
Common Stock, ₱0.50[1] par value	4,892,777,994[2]	
Bonds Payable		5,987,044,948.87

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

Name of such Stock Exchange and the class of securities listed therein:

Stock Exchange: **Philippine Stock Exchange**
Securities Listed: **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);

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[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.

Yes [X] No [ ]

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

Yes [X] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: P13.3B

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [ ] t applicable

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;
2021 Audited Financial Statements of Filinvest REIT Corp., with reference to Part II of 17A

(b) Any information statement filed pursuant to SRC Rule 20;
Not applicable

(c) Any prospectus filed pursuant to SRC Rule 8.1.
Not applicable

TABLE OF CONTENTS

Part 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business

1.1 Organization, Brief Description and Recent Developments

Filinvest REIT Corp. (formerly, Cyberzone Properties, Inc.) (the "ParentCompany" or "Company") or ("FILRT") 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.

In August 12,2021, the Company completed its initial public offering, and was listed and currently traded in the Philippine Stock Exchange (PSE) as a Real Estate Investment Trust (REIT) entity.

As a REIT entity, the Company is entitled to the following: (a) not subject to 2% minimum corporate income tax (MCIT), (b) exemption from value-added tax (VAT) and documentary stamp tax (DST) on the transfer of property in exchange of its shares, (c) deductibility of dividend distribution from its taxable income, and (d) fifty percent (50%) of the standard DST rate on the transfer of real property into the Company, including the sale or transfer of any and all security interest thereto, provided they have complied with the requirements under Republic Act (RA) No. 9856 and Implementing Rules and Regulations (IRR) of RA No. 9856.

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The Parent Company is a subsidiary of Filinvest Land, Inc. ("FLI"), a subsidiary of Filinvest Development Corporation ("FDC"). A.L. Gotianun Inc. ("ALG") is the Company's ultimate Parent Company. FLI, FDC and ALG were all incorporated in the Philippines.

FILRT, formerly CPI, began commercial operations on May 1, 2001. FILRT is registered with PEZA as an Economic Zone Facilities Enterprise, which entitles FILRT to certain tax benefits and non-fiscal incentives such as paying a 5% tax on its gross income in lieu of payment of local and national taxes. FILRT is a qualified enterprise for the purpose of VAT zero-rating of its transaction with its local suppliers of goods, properties and services related to its provision of services to PEZA-registered enterprises. The VAT-zero rating shall not apply to FILRT's facilities at Filinvest Axis Towers One, Vector Three and Filinvest Cyberzone Cebu Tower 1. FILRT owns and operates the IT buildings in Northgate Cyberzone, an 18.7-hectare Special Economic Zone within Filinvest City in Alabang Muntinlupa. The land where FILRT built its buildings in Northgate Cyberzone is owned by its parent FLI, under a long-term land lease agreement. It also has a Build-Transfer- Operate (BTO) agreement with the Cebu Province for a project named Filinvest Cyberzone Cebu occupying a land area of 12,290 square meters which currently has two operational buildings and two more under construction.

FILRT became one of the first companies to operate as a major BPO-centric lease provider outside Makati, Bonifacio Global City, and Ortigas. Anticipating the traffic congestion in these districts, FILRT took advantage of building on the land owned by FLI in Alabang, Muntinlupa City.

A PEZA-registered IT Park, as defined by PEZA, is an area that provides 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 attract BPO companies to lease office spaces in Northgate Cyberzone.

As of end 2021, there are sixteen (16) fully operational office buildings in Northgate Cyberzone as follows:

Existing Buildings						
Building Name	**GLA (SQM) Office & Retail**	**Occupancy Rate as of End 2021**	**PEZA Registered**	**LEED Certification**	**Rental Income (in millions**	**Valuation (in millions)**
Plaz@ A	10,860	100.0%	Yes	N.A.	100	1,655
Plaz@ B	6,488	80.7%	Yes	N.A.	56	893
Plaz@ C	6,540	100.0%	Yes	N.A.	57	1,034
Plaz@ D	10,860	83.2%	Yes	N.A.	81	1,483
Plaz@ E	14,859	100.0%	Yes	N.A.	145	2,421
Capital One Building	18,000	100.0%	Yes	N.A.	187	2,998
5132 Building	9,409	100.0%	Yes	N.A.	86	1,443
iHub 1	9,480	59.6%	Yes	N.A.	56	1,449
iHub 2	14,181	100.0%	Yes	N.A.	128	2,336
Vector One	17,764	92.0%	Yes	N.A.	150	2,769
Vector Two	17,889	100.0%	Yes	N.A.	164	3,134
Vector Three	36,345	68.3%	Yes	LEED Gold	226	6,053
Filinvest One	19,637	100.0%	Yes	N.A.	184	3,423
Filinvest Two	23,784	100.0%	Yes	N.A.	210	4,180
Filinvest Three	23,784	44.7%	Yes	N.A.	101	3,716
Axis Tower One	40,869	88.7%	Yes	LEED Gold	363	6,442

FILRT also developed and operates the Filinvest Cyberzone Cebu located in Lahug, Cebu City, Cebu, wherein Tower One is fully operational and is included in the assets of FILRT:

Building Name	**GLA (SQM) Office & Retail**	**Occupancy Rate as of End 2021**	**PEZA Registered**	**Rental Income (in millions**	**Valuation (in millions)**
Cebu Tower One	20,612	99.1%	Yes	164	3,118

Moving forward, FILRT will remain to be focused on its office space leasing business and will continue to look for opportunities to expand its portfolio of investment properties both in existing and new locations. With the Northgate Cyberzone property fully developed in terms of land space, FILRT has the option to replace existing structures with taller structures to increase GLA or it may expand beyond the property into the land owned by FLI and FAI within the Filinvest City through several land use arrangements – purchase, lease or joint venture. Future expansion of FILRT can come mainly from the projects of its sponsor FLI, which includes Axis towers 2,3, and 4 in Alabang and Cyberzone Cebu, Towers 2, 3 and 4 over the next two years. The Parent Company is also looking at other potential properties in Cebu for development into other office spaces. Beyond these two locations, FILRT is also looking at the potential of other cities as possible sites for future Cyberzones.

1.2 Equity investment

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.

1.3 Target Market & Revenue Contribution

FILRT's office space leasing business has primarily targeted multinational Business Process Outsourcing (BPO) companies locating their operations in the Philippines.

The Business Processing Outsourcing Industry
Business Process Outsourcing (BPO) is the contracting of the operations and performance of certain business processes to a third-party service provider. The third-party service providers perform certain "non-core" business processes such as accounting, customer service and IT services for multinational global enterprises. BPOs are usually categorized into back office outsourcing, which involves internal business functions such as human resources, IT, accounting, and front office outsourcing, which involves customer-related services such as contact center services. The industry is divided further into sub-segments such as Knowledge Processing Outsourcing (KPO) and Legal Process Outsourcing (LPO) based on the functions they do or the industries they serve. The processes that are transferred to these third-party service providers are often information-technology based and are done through the use of different technology platforms which allows these service providers to be based offshore.

The rationale for BPO services has always been the flexibility it offers to their client companies and the cost savings it generates from locating in the Philippines specifically from lower employee wages and tax incentives given by Philippine government through PEZA. The transfer of 'non-core' functions such as accounting, IT, and HR allows companies to focus on its 'core' revenue-generating functions while ensuring that these support functions still reach a certain level of quality required by the client company through service level agreements (SLAs) with these third-party service providers. Client companies also benefit from best practices and economies of scale that BPO companies are able to harness from their broad experience and focus in performing these functions for clients from different industries which is able to reduce bottlenecks usually associated with the outsourced functions. However, the headline benefit and continuing driver for the BPO industry is still the significant cost savings it offers client companies. Studies have shown that by moving outsourcing support functions companies can save between 30-50% in operational costs. With most BPO companies charging on a fee-for-service setup, client companies are able to turn what would have been fixed costs into variable costs which can adjust to the specific needs of the business.

The global business process outsourcing (BPO) market size is expected to grow at a compound annual growth rate of 8.5% starting 2021. And its value is projected to reach $435.89 billion in 2028. This could be the result of companies accepting the work-from-home model and using project outsourcing as a way to boost their operations post-COVID. *(*Source: Yahoo Finance News: The Most In-Demand BPO Services in 2022, According to Experts [DesignRush QuickSights] (yahoo.com)*

Business process outsourcing in the Philippines accounts for 10 to 15 percent of the global BPO market, where the local BPO sector has grown at a compound annual rate of 10% over the past decade. The Philippines has also consistently ranked among the top five outsourcing destinations in the world.

The IT-BPM industry has delivered a multitude of direct and indirect benefits and remains a critical pillar of the Philippine economy, especially when it comes to job creation for millions of Filipinos.

The Philippines' Business Process Outsourcing or BPO industry has been the backbone of the country's economy since its beginnings in the early '90s contributing nearly $30 billion to the country's economy each year. Now more than ever, the Philippines' Business Process Outsourcing industry continues to be a lifesaver, not just for the economy, but for over 1.3 Million Filipinos. According to a 2021 article, more than a million Filipinos were employed in over 1,000 BPO companies in 2019, showing an average of 8-10% growth annually. With 10-15% of the global BPO market held by the Philippines, the industry is expected to increase its revenue by 8% (vs. 1.4% in 2020) by the end of 2021. *(*Source: Sourcefit: Factors that shaped 2021 for BPOs in the Philippines)*

The Philippines' steady growth trajectory continues to attract many investors from abroad to establish or expand their operations here. BPOs are also seen to continue to diversify from voice services to more specialized and higher-skilled processes such as healthcare outsourcing, legal outsourcing, and animation which will make it more resilient from a slowdown in growth. According to the revised 2022 Roadmap outlined by the IT & Business Processing Association of the Philippines (IBPAP), they expect headcount growth at 2.7 percent to 5 percent, or around 1.37 million to 1.43 million full-time employees, and industry

revenues amounting of $29.09 billion with a Compound Annual Growth Rate (CAGR) of 3.2 percent to 5.5 percent in the next two years.
**Sources: IT and Business Process Association Philippines (IBPAP) Website: https://manilastandard.net/business/it-telecom/340042/bpo-sector-expects-recovery-with-revenue-of-29b-by 2022.html*

Philippine Offshore Gaming Operators (POGO)
Offshore gaming refers to the offering by a licensee of PAGCOR – authorized online games of chance via the internet using a network and software program – exclusively to offshore authorized players excluding Filipinos abroad, who have registered and established an online gaming account with the licensee.

The pandemic that causes foreign travel ban of Chinese work force to go back to the Philippines, the demand of POGOs to lease office buildings dramatically declined.

Demand for office space in Metro Manila is still largely driven by Information Technology and Business Process Management (IT-BPM) companies, specifically for the ecommerce, logistics, healthcare, IT, Medical encoding industries as they need space for their back office, customer support operations, IT and technical support.

Filinvest REIT Corp. (FILRT) Tenancy profile
FILRT has the following profile of tenants in Northgate Cyberzone and Cebu Cyberzone as of end 2021:

Tenant sector breakdown by 2021 total rent

2021	No. of tenants	GLA sqm	%
BPO	27	239,245.91	91%
Offshore gaming services	1	2,306.40	1%
Traditional office and others	17	20,451.57	7%
Retail	12	1,545.55	1%
Total Area leased		263,549.43	100%

FILRT has the largest BPO companies in the Philippines as its current tenants. Some of its major tenants are Capital One, Genpact, Concentrix CVG, Synchrony, Accenture and Optum Global Solutions Inc, among others. In recent years, to reduce its concentration risk, FILRT I has worked to diversify the types of BPO companies leasing its office spaces.

The Parent Company believes that its tenant base is committed to continue doing business in the Philippines in the foreseeable future through further expansions. The Parent Company is not dependent on a single tenant, and no single tenant would account for at least 20% of the Parent Company's revenues. The Parent Company is also continually looking to diversify its tenant base even further to prevent reliance on a single tenant.

FILRT offers two types of leasing: standard office spaces and build-to-suit office spaces. Standard office spaces refer to the standard properties designed, developed, and constructed by FILRT to cater to the general needs of any prospective tenant specifically Multinational BPO firms, Regional Office Head Quarters (ROHQ). These properties would have the basic features and amenities that FILRT has determined. Build-to-suit office spaces are properties designed and built according to the clients' specifications. Majority of the Parent Company's business is from leasing out its standard office spaces with build-to-suit projects accounting for only about 5% of FILRT's total leasing business.

The Parent Company has a standard set of terms and conditions that are the basis of contracts signed with potential tenants. Some of these terms are:

- A minimum lease term of 3 years for leasing of standard office spaces and 10 years for build-to-suit office spaces, with most leases on a 5-year average lease term
- 5% escalation in lease rates starting on the 3rd year for a 5-year lease term and 5% escalation in lease rates starting on the 2nd on a 3-year lease term.
- The tenant must put up a security deposit worth 3 months of rent that generally increase subject to corresponding rent adjustment/ escalation. This security deposit will be forfeited in case the tenant preterminates the contract without prior notice or before the pretermination option, or if there are issues encountered such as non-payment of rent.
- For POGO, six (6) months security deposits and at three (3) to six (6) months advance rent based on rate of last year of lease term but payable upfront. Note that we continue our focus to lease to global BPO and ROHQ and Traditional firms and not POGOs
- When the Contract of Lease is signed, the tenant must pay advance rent for 3 months.
- Pretermination option after the 3rd year with 6 months prior written notice from the tenant and subject to three (3) months penalties payable to FILRT.
- The tenant is subject to rental penalties and interest if unable to pay rent

These terms and conditions are still subject to change through negotiations on the final leasing contract, and upon agreement by both FILRT and the potential tenant. The Parent Company does not currently have any issues with any of its existing tenants.

1.4 Lease Marketing

FILRT has engaged ProOffice Works Services Inc (ProOffice) to provide property management service including leasing of spaces. ProOffice primarily makes use of in-house leasing and marketing teams of an affiliate Filinvest Cyberparks Inc (FCI). One of regular practices is to approach its existing lessees in the property if they are interested to expand.

Another approach being used by ProOffice to attract new lessees is through the services of professional, multinational commercial real estate leasing agents /brokers (including, but not limited to Jones Lang LaSalle, Santos Knight Frank, Colliers, CB Richard Ellis and Leechiu Property Consultants). These brokers work on a non-exclusive basis and earn commissions based on the term of the lease except for the Filinvest Cebu Cyberzone buildings located in IT Park Metro Cebu City wherein Santos Knight Frank is the exclusive leasing agent but also earn commission base on the term of the lease

1.5 Competition

The Company faces significant competition in the office leasing market in Metro Manila and Metro Cebu. The Company believes that it competes with companies in the office leasing industry such as Megaworld Corporation, SM Prime Holdings, Inc., Ayala Land, Inc., Robinsons Land, Inc and Eton Properties Philippines, Inc.in Metro Manila, and Ayala Land, Inc. and Megaworld Corporation in Metro Cebu. According to "*Business and Properties - Competition*" and industry report of Jones Lang Lasalle

Philippines, the office supply in Metro Manila is expected to grow by 1.5 million sq.m. from 2021 to 2025, and that office supply in Metro Cebu is expected to grow by 358,950 sq.m. from 2021 to 2025.

The Company may have to compete on pricing to maintain its competitiveness, which may decrease its margins. The Company may also need to incur additional operating and capital expenditure to maintain or improve the quality of its properties. Further, the increase in office supply, the effect of the COVID-19 pandemic on demand for office space, and potential downside risks to demand recovery may lead to slower or negative net absorption of tenants leading to higher vacancy rates and downward pressure on rental rates.

The Parent Company believes that one of its major strengths besides its superior build of its IT park, brand and reputation is the cost of space which is generally lower in Alabang as compared to Makati, Ortigas, or BGC.

According to JLL's 4Q 2021 Property Market Overview and Leechiu Property Consultants' Philippine Real Estate 4Q 2021 Market Insights, Muntinlupa City, Alabang is still one of the cheapest options for BPOs, Traditional and ROHQs locators in terms of the cost of office leasing which makes it an attractive location for their companies which aim to minimize their costs.

Cost of Office Space		
Location	**Monthly average asking rents for offices in Metro Manila in Php/sq.m. for year 2021**	**Est. Total Vacant as of end 2021 (GLA sq. m.)**
Makati CBD (Prime and Grade A Buildings)	1,300 – 1,400	668,700
BGC	1300 – 1,400	433,620
Ortigas, Pasig, Mandaluyong,	700 - 800	1,000,040
Quezon City	700 - 800	884,230
Bay City	800 - 850	1,277,000
Alabang/Muntinlupa	600 -700	375,200

**Sources: JLL 4Q 2021 Property Market Overview and Leechiu Property Consultants Philippine Real Estate 4Q 2021 Market Insights*

Some of the Parent Company's major competitors include:

Ayala Land, Inc. (ALI)
Ayala Land is real estate arm of the Ayala Group, one of the largest conglomerations in the Philippines. Ayala Land is one of the largest real estate corporations in the country with businesses in residential properties, office space leasing, and shopping malls. ALI has office buildings in most major business districts in Metro Manila and Cebu, and is anchored by its premier properties in the Makati Central Business District, Bonifacio Global City, and Cebu IT Park. ALI believes their strength to be their branding and reputation, quality of support services provided by the property manager, rental rates, and the quality and premier locations of their office buildings.

Robinson's Land Corporation (RLC)
Robinson's Land Corporation is the real estate arm of the JG Summit Holdings Inc., the holding company of Gokongwei family. RLC is involved in the development and operation of shopping malls and hotels, and the development of mixed-use properties, office and residential buildings, as well as land and residential housing developments, including socialized housing projects located in key cities and other urban areas nationwide. Some of its marquee properties include the Cybergate Towers along EDSA in Mandaluyong and the Robinsons Summit Center in Makati. RLC was also one of the pioneers of setting up office spaces for BPO within their mall developments. RLC believes their strength to be their branding, the quality of their office spaces, and the location of these office spaces being in the heart of Metro Manila.

Eton Properties Philippines, Inc.
Eton Properties is the real estate brand of the Lucio Tan Group which develops residential, commercial, and office buildings. Eton Properties has two major office developments, Eton Centris in Quezon City and Eton Cyperbod Corinthian in Ortigas.

SM Prime Holdings, Inc.
SM Prime Holdings Inc. is the real estate arm of the Sy family led SM Group which has operations in residential properties, offices, malls, and hotels. It is most well-known for operating the SM Malls chain, the largest mall chain in the Philippines~~,~~ and also office leasing.
Megaworld Corporation
Megaworld is the real estate arm of Andrew Tan's Alliance Global Group Inc. It is a diversified real estate company with businesses in residential properties, malls, hotels, and office buildings. Megaworld is the largest provider of BPO office spaces. Most of Megaworld's office properties are located in Bonifacio Global City with a total GLA of 300,000 square meters making them the largest owner of office buildings in that business district. Megaworld office leasing segment also has a significant presence in its Eastwood property in Libis, Quezon City. Megaworld believes that its advantages are their reputation and brand, the quality of their properties, and the optimal location of their properties.

1.6 Intellectual Property and Trademarks

The following trademarks were registered with the Philippine Intellectual Property Office (IPO) with a term of ten (10) years:

Mark	Date of Registration
FILREIT	01 August 2021
FILRT	01 August 2021
FILINVEST REIT CORP.	8 October 2021
FILINVEST REIT CORPORATION	8 October 2021
FILINVEST REIT	12 November 2021

1.7 Government and Environmental Regulations

The real estate business and office space leasing business in the Philippines is subject to significant government regulations over among other things, land acquisition, development planning and design, and construction.

Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Approvals must be obtained at both the national and local levels, and the Parent Company's results of operations are expected to continue to be affected by the nature and extent of the regulation of its business, including the relative time and cost involved in procuring approvals for each new project, which can vary from project to project.

PEZA Regulations
Republic Act No. 7916 ("R.A. 7916") provided for the creation and management of Special Economic Zones, which are selected areas with highly developed or which have the potential to be developed into agro-industrial, industrial tourist/recreational, commercial, banking, investment, and financial centers.

PEZA is the government agency that is mandated to operate, administer and manage these designated Ecozones. These Ecozones are generally established by a proclamation issued by the President of the Philippines, upon the recommendation of the PEZA.

Enterprises offering IT services (such as call centers, and BPO using electronic commerce) are entitled to fiscal and non-fiscal incentives if they are PEZA-registered locators in a PEZA-registered IT Park, IT Building, or Ecozone. An IT Park is an area capable of providing infrastructures and other support facilities required by IT enterprises, as well as amenities required by professionals and workers employed in these enterprises, or easy access to such amenities. An IT Building is an edifice, a portion or the whole of which, provides such infrastructure, facilities, and amenities. PEZA requirements for the registration of an IT Park or IT Building may differ depending on location. These PEZA requirements include clearances or certifications issued by the city or municipal legislative council, the DAR, the National Water Resources Board ("NWRB"), and the DENR.

Prior to becoming a REIT, the Company enjoys a preferential tax rate of 5% on gross income from 16 of its buildings in Northgate Cyberzone, from tenants that are also PEZA registered. Likewise, the BPO/IT companies who lease office space in Northgate or Cebu Cyberzone which are PEZA-registered enjoy certain tax incentives as follows:

- Exemption from the payment of all national and local taxes, such as gross receipts tax, value-added tax, ad valorem tax, excise tax, income tax, documentary stamp tax, percentage taxes, and all other taxes found in the National Internal Revenue Code.
- Exemption from the payment of all local government impost, fees, licenses, or taxes including local business tax, transfer tax on the sale of real property, real estate taxes (except real estate tax on the land), community tax, mayor's permit fee, sanitary fee, other regulatory fees and other taxes and fees found in the Local Government Code and particularly in the Tax Ordinance of the local government unit where the economic zone is located.
- In lieu of the exemption from national and local taxes, the ECOZONE enterprise shall pay a 5% preferential tax on gross income, which is split between the City Treasurer of Muntinlupa (2/5) and BIR (3/5). For an ECOZONE export enterprise, the following are considered to be allowable deductions from net sales/revenues:
    - Direct salaries, wages, or labor expenses
    - Service or production supervision salaries
    - Raw materials
    - Goods in process
    - Finished goods
    - Supplies and fuels used in production
    - Depreciation of machinery, equipment and buildings owned and/or constructed
    - Financing charges associated with fixed assets
    - Rent and utility charges for buildings, equipment, and warehouses, or handling goods
- Exemption from duties and taxes on imported capital equipment, spare parts, raw materials, and supplies.
- Exemption from wharfage dues, export tax, impost, or fee
- For the first five years of operation, additional deduction equivalent to one-half of the wages paid corresponding to the increment in the number of direct labors for skilled and unskilled workers

Effective August 12, 2021, as a REIT entity, the Parent Company is entitled to the following: (a) not subject to 2% minimum corporate income tax (MCIT), (b) exemption from value-added tax (VAT) and documentary stamp tax (DST) on the transfer of property in exchange of its shares, (c) deductibility of dividend distribution from its taxable income, and (d) fifty percent (50%) of the standard DST rate of the transfer of real property into the Company, including the sale or transfer of any and all security interest there to, provided they have complied with the requirements under RA No. 9856 and Implementing Rules and Regulations (IRR) of RA No. 9856.

Environmental Regulations
FILRT has complied with all applicable Philippine environmental laws and regulations. FILRT's compliance with environmental laws is dictated by and in accordance with the environmental laws and regulations applicable to specific and individual projects. Compliance with such laws, in FILRT's opinion, is not expected to have a material effect on FILRT's capital expenditures, earning or competitive position. The cost of such compliance is not significant and FILRT does not keep a separate account thereof.

1.8 Employees and Labor

Management believes that FILRT's current relationship with its employees is generally good. The Parent Company has not experienced a work stoppage or any labor related disturbance as a result of labor disagreements. None of FILRT's employees belongs to a labor union. FILRT currently does not have an employee stock option plan.

There are no significant arrangements between FILRT and its significant employees to assure that these persons will remain with FILRT and not compete with it upon their termination. FILRT, however, relies on its good relationship with its senior managers and significant employees to ensure loyalty. FILRT likewise provides managers, supervisors and general staff the opportunity to participate in both in-house and external training and development programs which are designed to enhance skills, to improve productivity, to develop leadership and to prepare employees for future assignments. These programs range from the orientation of new employees to technical training for engineers and customer service. FILRT has also provided a mechanism through which managers and staff are given feedback on their job performance, which FILRT believes will help to ensure the continuous development of its employees. FILRT also offers employees benefits and salary packages that it believes are in line with industry standards in the Philippines and which are designed to help the Parent Company compete in the marketplace for quality employees.

1.9 Related Party Transactions

A summary of the FILRT's related party transactions in 2021 and 2020 are shown in the following table:

	2021				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Bank under common control					
Cash and cash equivalents	**₱ 2,219,841,487**	**₱2,219,841,487**	0.1010% to 3.75%	No impairment	17 (a)
Interest income	**4,062,940**	–			
	₱ 2,223,904,427	**₱2,219,841,487**			
Trade receivables (Note 5)					
*Parent Company*Rental revenue	**₱ 25,827,386**	**₱4,140,316**	Noninterest-bearing; due and demandable	Unsecured	17 (b)

Affiliate					
Rental revenue	**96,513,930**	**29,374,766**	Noninterest-bearing; collectible every 20th day of the month	Unsecured	17 (b)
Service fee income (Note 21)	**31,381,132**	–	Noninterest-bearing	Unsecured	17 (b)
Commission income (Note 21)	–	–	Noninterest-bearing	Unsecured	17 (d)
	₱ 153,722,448	**₱33,515,082**			
Other Noncurrent Asset					
Affiliate					
DCS connection charge (Note 11)	**(148,925,007)**	**₱203,626,962**		No impairment	17 (f)
Connection fees (Note 11)	**(9,568,811)**	**(6,595,943)**			
	(₱138,992,197)	**₱197,031,019**			
Accounts payable and accrued expenses (Note 12)					
Parent Company					
Rental expense	**(₱41,183,886)**	**(₱41,183,886)**	Noninterest-bearing; payable on demand	Unsecured	17 (c)
Affliliate					
Service and energy fees	**(12,276,703)**	**(34,050,962)**	Noninterest-bearing	Unsecured	17 (f)
Affiliate					
Service fee	**(9,925,905)**	**(4,024,132)**	Noninterest-bearing; payable on demand	Unsecured	17 (d)
Management fee, manpower cost and others	**(6,843,411)**	**(6,843,411)**	Noninterest-bearing; payable on demand	Unsecured	17 (d)
	(₱70,229,905)	**(₱86,102,391)**			
Lease liabilities					
Parent Company					
Lease liabilities (Note 20)	**(₱2,162,276,983)**	**₱–**	Noninterest-bearing; payable	Unsecured	17 (c)
Other Noncurrent Liabilities					
Parent Company					
Security deposit	**₱549,299**	**(₱7,827,359)**	Noninterest-bearing; payable	Unsecured	17 (b)
Affiliate					
Security deposits	**6,732,636**	**(20,866,382)**	Noninterest-bearing; payable	Unsecured	17 (b)
	₱7,281,935	**(₱28,693,741)**			

	2020				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Bank under common control					
Cash and cash equivalents	₱738,640,515	₱738,640,515	0.1010% to 3.75%	No impairment	17 (a)
Interest income	3,908,966	–			
	₱742,549,481	₱738,640,515			
Trade receivables (Note 5)					
Parent Company					
Rental revenue	₱24,965,196	₱306,370	Noninterest-bearing; due and demandable	Unsecured	17 (b)

Affiliate					
Rental revenue	88,007,272	146,729	Noninterest-bearing; collectible every 20th day of the month	Unsecured	17 (b)
Service fee income (Note 21)	8,990,356	–	Noninterest-bearing	Unsecured	17 (d)
Commission income (Note 21)	23,166,200	–	Noninterest-bearing	Unsecured	17 (d)
	₱145,129,024	₱453,099			
Other Noncurrent Asset					
Affiliate					
DCS connection charge (Note 11)	₱15,266,782	₱352,187,969		No impairment	17 (f)
Connection fees (Note 12)	–	(16,164,753)			
	₱15,266,782	₱336,023,216			
Accounts payable and accrued expenses (Note 12)					
Parent Company					
Rental expense	(₱304,190,850)	₱–	Noninterest-bearing; payable on demand	Unsecured	17 (c)
Affiliate					
Advances	(350,000,000)	–	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	(9,966,667)	–	Noninterest-bearing	Unsecured	17 (e)
Service and energy fees (Note 20)	(290,551,981)	(46,327,665)	Noninterest-bearing; payable on demand	Unsecured	17 (f)
Rental expense	(4,467,493)	–	Noninterest-bearing	Unsecured	17 (c)
Affiliate			Noninterest-bearing; payable on demand	Unsecured	
Service fee	(35,361,288)	(13,950,037)			17 (d)
Management fee and manpower cost	–	–	Noninterest-bearing; payable on demand	Unsecured	
	(₱994,538,279)	(₱60,277,702)			
Lease liabilities					
Parent Company					
Lease liabilities (Note 20)	(₱2,149,262,141)	(₱2,190,115,165)	Noninterest-bearing; payable	Unsecured	17 (c)
Other Noncurrent Liabilities					
Parent Company					
Security deposit	(₱7,278,060)	(₱7,278,060)	Noninterest-bearing; payable	Unsecured	17 (b)
Affiliate					
Security deposits	(12,018,424)	(14,133,746)	Noninterest-bearing; payable	Unsecured	17 (b)
	(₱19,296,484)	(₱21,411,806)			

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 Group's buildings. Lease period is 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 spaces in the Parent Company's buildings. Lease period is from September 2, 2019 to September 1, 2024 for Axis Tower 1 andApril 1, 2021 to March 31, 2031 for Vector One office.

- The Parent Company, as a lessor, entered into a space rental agreement with Pro-Excel Property Managers, Inc. (PEPMI), an affiliate, for the office space in one of the Parent Company's buildings. Lease period is from July 15, 2020 to July 14, 2025. The lease was assigned to FLI, as a result of the property dividend distribution effective July 14, 2021.

- The Parent Company, as a lessor, entered into a space rental agreement with Dreambuilders Pro, Inc. (DPI), a fellow subsidiary under FLI, for the office space in one of the Parent Company's buildings. Lease period is from August 10, 2017 to October 9, 2022. The lease was assigned as a result of the property dividend distribution effective July 14, 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 Group'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 Group'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 ofthe 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 (see Note 20):
- the Parent Company shall pay either a minimum guaranteed rent or a percentage share fromGross 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 follows (see Note 20):
- 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 minimummonthly rent during construction period.
- lease period shall be in full force and effect for a period of 50 years which shall commence onFebruary 11, 2021 and shall expire on February 10, 2071.

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 Group. FAI is also the provider of water services within the Filinvest City where majority of the buildings of the Company are located.

- The Parent Company entered into a service agreement with Filinvest Cyberparks, Inc. (FCI), and Filinvest Asia Corp. (FAC), 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. This agreement is only up to February 28, 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 Works, Inc., an affiliate, wherebythe Parent Company shall engage and pay the services rendered by the latter to operate maintain, manage, and market each Property, subject to the overall management and directions of the Fund Manager.

- The Parent Company entered into a service agreement with FREIT Fund Manager, Inc. (FFMI), an affiliate, whereby the Parent Company shall engage and pay the services renderedby the latter to execute and implement the investment strategies for the Company.

- The Parent Company entered into a facilities management agreement with Professional Operations and Maintenance Experts Incorporated (PROMEI), whereby the Parent Companyshall engage and pay the services rendered by the latter to operate and maintain its equipmentand 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.

e) On February 27, 2019, the Parent Company availed advances from FCI amounting to ₱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.

Amortized portion of DCS connection charge pertaining to existing buildings amounted to ₱12.6 million and ₱15.0 million in 2021 and 2020, respectively. These amounts were recognized as part of utilities expense in consolidated statement of comprehensive income (see Note 2). In 2021, the Group derecognized prepaid DCS amounting ₱132.4 million pertaining to property dividends distributed and was charged to FLI. Connection and service charges incurred for thesebuildings as of December 31, 2021 and 2020, aggregated to ₱197.0 million and ₱336.0 million, respectively (see Note 11).

g) *Deed of Assignment of BTO rights to FLI*
On February 26, 2021, the Parent Company entered into an agreement with FLI assigning its rightto manage and operate the Towers 2, 3 and 4 of Filinvest Cebu Cyberzone Towers under the BTO Agreement and Agreement for Transfer and Conveyance. The consideration amounting to ₱966.1 million was settled in November 2021.

Key Management Personnel

The key management functions of the Group are handled by FCI starting March 2021. For the years ended December 31, 2021 and 2020, compensation of other key management personnel directly paidby the Group pertains to short-term employee benefit amounting ₱1.5 million and ₱9.7 million, respectively.

1.10 Major Risk Factors

Risks Relating to the Group and the Industry
The performance of the Group and its industry is interconnected to the performance and state of the Philippine BPO industry. Being focused on a specific group of clients, the office space leasing segment and the Group are very much affected by the same trends and factors which affect the BPO industry.

Demand for, and prevailing leasing prices of, office space is directly related to the demand for BPO services in the Philippines which is contingent on a host of different factors including but not limited to:

1. Economic climate (including overall growth levels and interest rates) in the Philippines and internationally, especially in countries such as the US where 70% of BPO companies in the Philippines originate from. As an industry focused on non-core support services (i.e. Customer service, accounting, human resources), the general economic climate will dictate the demand from companies for BPO services. Poor economic climate may affect the BPO industry negatively which will cascade down to a decrease in demand for office spaces as these companies cease expansion or even downsize their workforces.

2. The attractiveness of the Philippines as a destination for the BPO industry. The BPO industry has been attracted to the Philippines mainly due to the demographics of the population which includes high literacy, education rates and fluency in English. As the needs of the BPO industry evolves, there is a risk that the Philippines will no longer be fit to the requirements of the industry or may face significant competition from other countries that may reduce its market share in the BPO industry.

3. Pandemic and lockdowns that might trigger some BPO locators to pre-terminate and/or downsize.

The Parent Company is subject to and relies on a number of government regulations and initiatives which covers both the BPO industry and office space leasing segment. The Parent Company and its lessees enjoy preferential tax rates on its properties as a result of the government's thrust to spur the growth of the BPO industry through PEZA. The Parent Company's growth prospects are directly connected to being able to continue to enjoy such preferential tax incentives to maintain its margins as well as market its properties to prospective tenants. On the other hand, the Parent Company is also subject to many regulations including the National Building Code, environmental regulations, and requirements prescribed by PEZA. Any violations of these regulations may pose a risk to the business and its operations and expose it to possible litigation or repercussions.

The Parent Company exists in a highly competitive industry with many players which may be larger and have more resources. Therefore, it is imperative that the Parent Company maintain its competitive strengths in order to attract clients to its properties. It must maintain competitive pricing which, if its costs increase, may decrease the Parent Company's margins. The Parent Company must also ensure the quality of its properties, and that it has an adequate property management team in place to keep customers satisfied.

There are risks that some projects may not attract sufficient demand from prospective buyers thereby affecting anticipated sales. The Parent Company is also exposed to the risk of the termination of a material number of leases or the inability of its tenants to pay rent. In addition, the time and the costs involved in completing the development and construction of projects may be adversely affected by many factors including unstable prices and supply of materials and equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in government priorities and other unforeseen problems or circumstances. As a result, rising prices for any construction materials will impact the Parent Company's construction costs, and therefore its pricing and margins. Any increase in prices resulting from higher construction costs could adversely affect the Parent Company's margins and ability to maintain its competitive pricing. Further, the failure by the Parent Company to complete construction of its projects to its planned specifications or schedule may result in contractual liabilities to lessees and lower returns.

The business and operations of the Company have been and will continue to be adversely affected by the global outbreak of COVID-19.

The profitability of the Company depends on the rental of office and retail space of the Properties. The uncertainty and disruption brought by COVID-19 could adversely affect the demand for the Company's rental space and the ability of the Company to effectively operate.

In addition, the continued spread of COVID-19 has led to disruption and volatility in the global capital markets. It is possible that the continued spread of COVID-19 could cause a global economic slowdown or recession. The deterioration of the regional economy and financial markets in general will have a material adverse effect on the Company's business, financial condition and results of operations.

The duration of border controls, travel and movement restrictions and the longer-term effects of the COVID-19 pandemic on the business of the Company, whether any further restrictions will be imposed by the Government in response to COVID-19, and the recovery trajectory for the Company remains uncertain. Even when restrictions are lifted, there may be a period of significantly reduced economic activity, increased unemployment and reduced consumer spending. Should this be the case, this will continue to affect the Company's business operations, financial condition, results of operations and prospects.

The loss of the Properties' PEZA-accreditation or other similar benefits could result in the loss of tenants.

The Properties are Grade A, PEZA-accredited buildings that offer competitive amenities and the latest technologies to the Company's lessees. If the PEZA-accreditation of the Properties is lost or revoked (whether by industry-wide regulations or otherwise), the Company's tenants may find the Properties (or the Philippines in general) as a less desirable or less compelling venue or destination for the operations, and may decide not to renew their leases at the Properties. Similarly, potential tenants may decide not to lease at all. The loss of the Properties' PEZA-accreditation may have a material adverse effect on the Company's business, financial condition and results of operations. *See also "—Risks Relating to the Company's Business—The Company's operations are covered by certain tax exemptions and incentives, the loss of which could increase the Company's tax liability and decrease any net income the Company might have in the future."*

Artificial intelligence
In the 2022 road map of the ITBPAP, it was identified that the low level, first tier skilled work force is being trained to level up to mid and high level skills to augment to the growing demand of a more personalized, more complicated calls. Thus, the industry is training and even hiring more to suit this growing client needs that AI cannot process. Note that AI is handling some of the very basic calls only that needs no human personalized approach but simple cases of change of address, copy of statements and the like.

Associated risks with POGOs
POGO demand is drastically reduced due to the pandemic where there are travel restrictions and. Although FILRT has just one very small POGO licensed tenant, there are also risks associated with its operations such as Chinese government's crackdown on some POGOs operating in the country due to alleged illegal activities connected with offshore gaming operations, immigration issues on illegally recruited and undocumented Chinese workers and tax evasion cases. Such risks expose POGOs to possible business closure resulting to pre-termination of their leases and consequently will impact lessors by having high vacancy rate.

However, FILRTs policy is to award only to duly registered POGO operators that have secured licenses from PAGCOR and complete SEC documentation. The company chooses to lease out a very minimal space or around 1% to a POGO tenant or one (1) tenant in its total office Company portfolio.

Item 2. Properties, Business Development and project line up

2.1 Land Bank

The Company, together with FLI and FAI (collectively known as the Filinvest Consortium), owned a 19.2-hectare lot in Cebu's South Road Properties (SRP). However, in October 2020, FILRT formerly CPI sold 1.5-hectare of its share of the land in SRP to a third party. The balance was declared as property dividend to FLI in December 4 2020. As of December 2021, FILRT does not own any land.

The Parent Company also leases land or takes on partners that will provide the land to be used for the development. The Parent Company is not prohibited from acquiring any land if there are opportunities in the future with good project potential.

2.2 Northgate Cyberzone

The Northgate Cyberzone, an 18.7-hectare PEZA-registered IT park with multinational tenants is approximately 15 kilometers south of the Makati City central business district, a 30 minute to one hour drive. The IT Park was designed, master-planned, and built around the specific needs of BPOs, from infrastructure to support businesses that help sustain the workforces of these companies. The property was envisioned to be an attractive alternative to the congested major central business districts of the Metro where BPOs have primarily located their offices. Given the accessibility of Alabang area through the South Luzon Expressway and Skyway as well as Northgate being located near public transportation hubs in the area, it was a natural choice of location for the IT park.

The IT Park forms part of Filinvest City in Alabang, a master-planned urban development consisting of residential, commercial, and industrial properties. FILRT leases the land from FLI, and develops and owns the office buildings on the property which it then leases to BPO companies. Currently, there are nineteen (19) fully completed and operational buildings in Northgate Cyberzone, with a total Office and Retail GLA of 330,279 square meters as of end of 2021.

2.3 Filinvest Cyberzone Cebu (FCC)

FILRT's other major location is the Filinvest Cyberzone Cebu, which is a 1.2-hectare joint project with the Provincial Government of Cebu operating under a 25-year Build Transfer Operate (BTO) scheme plus 5-year extension. Seeing the potential of Cebu, which is identified as one of the next big cities for BPO companies to locate in, FILRT decided to venture into Cebu through the development of Filinvest Cyberzone Cebu. The project is located adjacent to the Cebu IT Park in Salinas Lahug, Cebu City.

Currently, FILRT has one completed building on the property which is Filinvest Cyberzone Cebu Tower 1 has a total Office and Retail GLA of 20,612 square meters and is currently 99.1% occupied.

In Feb 11, 2021, FILRT transferred back to FLI its rights for Filinvest Cyberzone Cebu Towers 2, 3, and 4 under the BTO agreement.

Typhoon Odette did not hamper the operations of Filinvest Cyberzone Cebu Tower 1 when it made landfall on December 16, 2021. The building remained operational on a 24/7 basis despite the power interruption in the area, utilizing backup generators until power was fully restored on January 6, 2022. Damage to property was not material and eligible to receive insurance claims.

FLI owns and operates the Filinvest EDSA Wack Wack Building, a 7,358 square meter office building located along EDSA in Mandaluyong City which is not yet part of the FILRT portfolio. The land on which the building is located is being leased from a third party for a period of twenty-five (25) years and six (6) months, starting on December 30, 2010 and may be renewed upon mutually agreed terms and conditions. The Company declared this building as property dividend to FLI which was approved by SEC on July 15, 2021.

Moving forward, FILRT will continue to focus on its core business of leasing office spaces catering to BPO, IT and traditional companies in Metro Manila as well as in the provinces. FILRT also aims to increase recurring income through lease management and business development and optimization of existing properties, in Northgate Cyberzone and Cebu properties, and the development of new properties. As the BPO industry continues to expand outside Metro Manila, FILRT continues to monitor areas beyond Metro Manila as potential destinations for its expansion plans.

FILRT will continue to look for other locations that will provide good opportunity for growth. It can also enter into land acquisition or joint venture agreement to any landowner, for project development.

Item 3. Legal Proceedings

The Parent Company or any of its subsidiaries is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Parent Company or its results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of FILRT's shareholders, through the solicitation of proxies or otherwise, in 2021.

Part II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

The shares of the Company were listed on the Philippine Stock Exchange (PSE) on August 12, 2021 under the symbol "FILRT". The following table shows, for the periods indicated, the high, low and period end closing prices of the shares as reported in the PSE:

Period		High	Low	End
2021	3rd Quarter	7.58	6.96	7.22
2021	4th Quarter	7.99	7.20	7.40

Stockholders

the Company has a total of 13,067 stockholders.
The following are the top 20 stockholders as of December 31, 2021:

Name	Number of Common Shares	Percentage of Common Shares
Filinvest Land Inc.	3,095,498,345	63.27%
PCD Nominee Corporation (FIL)*	1,709,071,235	34.93%
PCD Nominee Corporation (NF)	87,996,800	01.80%
G.D. Tan & Co., Inc.	150,000	00.00%
Villanueva, Milagros P.	14,200	00.00%
Villanueva, Myra P.	14,200	00.00%
Villanueva, Myrna P.	14,200	00.00%
Cabreza, Marietta V.	5,000	00.00%
Cabrera, Charmaine C.	3,000	00.00%
Cabrera, Ricardo R.	3,000	00.00%
Ramirez, Vivien C.	3,000	00.00%
Palileo, Amy Rose I.	2,000	00.00%
Tagalicud, Alfredo C. Jr.	1,000	00.00%
Repe, Ivan Rick Q.	1,000	00.00%
Roman, Leira Micah Gianni	1,000	00.00%
Yap, Lourdes Josephine G.	2	00.00%
Brion-Lirio, Maricel	2	00.00%
Gotianun, Francis Nathaniel C.	2	00.00%
San Pedro, Gemilo J.	2	00.00%
Las Marias, Tristaneil D.	2	00.00%
Suarez, Val Antonio B.	2	00.00%
Obcena, Virginia T.	2	00.00%

**Inclusive of the direct and indirect shares of the directors and officers.*

Declaration of Property Dividends

On December 4, 2020, the Parent Company's BOD approved the declaration of property dividends with carrying value amounting to ₱6,611.9 million, out of its unappropriated retained earnings in 2020.

On February 11, 2021, the BOD of the Parent Company approved another batch of property dividends. The dividend declaration will result to derecognition of ₱306.4 million and ₱1,384.0 million investment properties and intangible assets, respectively

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

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

Declaration date	Record date	Dividend per common shares	Total dividends declared	Payment date
August 31, 2021	September 15, 2021	₱0.112	₱547,991,135	September 30, 2021
November 18, 2021	December 3, 2021	0.112	547,991,135	December 20, 2021

On February 15, 2022, the BOD approved the declaration of cash dividends amounting to ₱548 million with dividend per share of 0.112. Dividends were paid in March 20, 2022.

Distributable Income under the IRR of REIT Act of 2009

Under the Revised Implementing Rules and Regulations of REIT Act of 2009, section 4c, the Parent Company shall present a computation of its distributable dividend taking into consideration requirements under the provisions of the Act and the Rule. Distributable income is not a measure of performance under the PFRS. For the year ended December 31, 2021, the distributable income amounted to ₱1,855.1 million, inclusive of earnings from January 1 to August 11, 2021 (pre-REIT listing) and August 12 to December 31, 2021 (post-REIT listing) amounting to ₱1,316.4 million and ₱538.7 million, respectively.

In Php Million	**Non-REIT period Jan 1 to Aug 11, 2021**	**REIT period Aug 12 to Dec 31, 2021**	**Full Year 2021 (Audited**
Revenues	₱2,183.3	₱1,258.7	₱3,442.0
Expenses	(699.1)	(461.7)	(1,160.8)
Depreciation	(275.9)	(151.8)	(427.7)
EBITDA	1,208.3	645.3	1,853.6
Interest income/expense	(233.1)	(106.6)	(339.7)
Gain on derecognition of lease liabilities	189.2	-	189.2
Benefit from tax/Provision for Tax	152.0	-	152.0
Distributable Income	**₱1,316.4**	**₱538.7**	**₱1,855.1**

Item 6. Bonds Issuance

On July 7, 2017, the Group issued fixed rate bonds with aggregate principal amount of ₱6,000.0 million and term of five and a half (5.5) years from the issue date or in January 2023. The fixed rate is 5.05% per annum, payable quarterly in arrears starting October 7, 2017. As of December31, 2021 and 2020, the outstanding balance of bonds payable amounted to ₱5,987.0 million and ₱5,974.2 million, respectively.

The bonds are redeemable at 100% of face value on maturity date, which is January 7, 2023, unless the Group exercises its early redemption option. Interest expense which was capitalized relating to bonds payable amounted to nil, ₱108.8 million, and ₱212.1 million in 2021, 2020, and 2019, respectively

Total interest expense charged to the consolidated statements of comprehensive income amounted to ₱307.2 million, ₱199.2 million, and ₱95.2 million in 2021, 2020, and 2019, respectively.

Unamortized debt issuance cost on bonds payable amounted ₱13.0 million and ₱25.8 million as of December 31, 2021 and 2020, respectively. Amortization of transaction costs included under "Interest and other financing charges" in the consolidated statements of comprehensive income amounted to ₱12.9 million, ₱12.8 million and ₱12.7 million in 2021, 2020, and 2019, respectively.

The bonds require the Group to maintain a maximum debt-to-equity ratio of 2.33x and minimum debt service coverage ratio of 1.1x. As of December 31, 2021, and 2020, the Group is not in breach of these financial covenants and has not been cited in default on any of its outstanding obligation.

Item 7. Management's Discussion and Analysis or Plan of Operation

Results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020

Revenues and income

The Company's total revenues and income decreased by ₱440.0 million or 11.3% from ₱3,882.0 million for the year ended December 31, 2020 to ₱3,442.0 million for the year ended December 31, 2021.

The decline in total revenues was primarily due to the decrease in rental revenue by ₱314.1 million or 11.1% from ₱2,833.4 million for the year ended December 31, 2020 to ₱2,519.3 million for the year ended December 31, 2021, and the decrease in other income by ₱125.9 million or 12.0% from ₱1,048.6 million for the year ended December 31, 2020 to ₱922.7 million for the year ended December 31, 2021. The decrease in revenues and other income was caused by the pre-termination of leases primarily by POGO tenants and transfer of assets to FLI, not qualified to be REIT assets.

Costs and expenses

The Company's consolidated costs and expenses decreased by ₱37.0 million or 2.3% from ₱1,625.4 million for the year ended December 31, 2020 to ₱1,588.4 million for the year ended December 31, 2021, primarily due to decrease in utilities expenses, rental expenses, taxes and licenses expenses and depreciation and amortization expenses.

The Company's utilities expenses decreased by ₱19.8 million, or 6.6%, to ₱277.8 million for the year ended December 31, 2021 compared to ₱297.5 million for the year ended December 31, 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 and transfer of assets to FLI.

The Company's depreciation and amortization expenses decreased by ₱58.4 million, or 12.0%, to ₱427.7 million for the year ended December 31, 2021 compared to ₱486.1 million for the year ended December 31, 2020. The decrease in depreciation was mainly due to transfer of assets to FLI.

The Company's rental expense decreased by ₱26.9 million, or 9.0%, to ₱271.1 million for the year ended December 31, 2021 compared to ₱298.0 million for the year ended December 31, 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 and transfer of assets to FLI.

The Company's taxes and licenses expenses decreased by ₱23.5 million, or 19.8%, to ₱95.4 million for the year ended December 31, 2021 compared to ₱118.9 million for the year ended December 31, 2020. The decrease was mainly due to lower real property tax due to assets transferred to FLI, and documentary stamp taxes paid in 2021.

The Company's service and management fees increased by ₱21.1 million, or 49.5%, to ₱63.8million for the year ended December 31, 2021 compared to ₱42.6 million for the year ended December 31, 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 ₱0.9 million, or 0.4%, to ₱235.5 million for the year ended December 31, 2021 compared to ₱236.4 million for the year ended December 31, 2020. The decrease was due to the 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.

The Company's repairs and maintenance increased by ₱50.7 million, or 38.2%, to ₱183.5 million for the year ended December 31, 2021 compared to ₱132.8 million for the year ended December 31, 2020. The increase was mainly due to comprehensive maintenance programs for the property equipment especially those not anymore under warranty coupled with sanitation protocols.

The Company's insurance increased by ₱11.9 million, or 296.0%, to ₱15.9 million for the year ended December 31, 2021 compared to ₱4.0 million for the year ended December 31, 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 year ended December 31, 2021, due to removal of the minimum guaranteed rent per the amended lease contract between FLI and the Company with respect to properties in Northgate Cyberzone, and the assignment of right-of use assets relating to Cebu Tower 3 and 4 to FLI.

The Company's interest income increased by ₱6.1 million, or 155.5%, to ₱10.0 million for the year ended December 31, 2021 compared to ₱3.9 million for the year ended December 31, 2020. The increase was mainly due to higher interest income from short term cash investment instruments.

The Company's interest expense and other financing charges decreased by ₱3.1 million, or 0.9%, to ₱348.2 million for the year ended December 31, 2021 compared to ₱351.4 million for the year ended December 31, 2020. The decrease was mainly due to transfer to FLI of loans associated to the assets transferred to it.

Income before Income Tax

The Company's income before income tax for the year ended December 31, 2021 was ₱1,703.1 million, a decrease of ₱274.6 million or, 13.9%, from its income before income tax of ₱1,977.7 million recorded for the year ended December 31, 2020 due to reasons stated above.

Provision for Income Tax

The Company recognized a benefit from income tax of ₱152.0 million for the year ended December 31, 2021, and provision for income tax of ₱116.9 million for the year ended December 31, 2020. The benefit mainly arose from the deferred tax liability derecognized in relation to being a REIT company change in tax rate due to CREATE.

Net Income

As a result of the foregoing, net income decreased by 0.3% or ₱5.7 million from ₱1,860.8 million for the year ended December 31, 2020 to ₱1,855.1 million for the year ended December 31, 2021.

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

The Company's assets were ₱13,972.2 million as of December 31, 2021, a decrease of ₱11,257.4 million, or 44.6%, 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 ₱2,587.2 million as of December 31, 2021, an increase of ₱1,716.7 million, or 197.2%, from cash and cash equivalents of ₱870.5 million as of December 31, 2020, due to collections of receivables primarily from FLI in relation to the transfer of assets.

Receivables

The Company's receivables were ₱755.0 million as of December 31, 2021, a decrease of ₱75.1 million, or 9.1%, from receivables of ₱830.1 million as of December 31, 2020, primarily due to transfer of assets to FLI.

Other current assets

The Company's other current assets were ₱64.1 million as of December 31, 2021, a decrease of ₱1,107.3 million, or 94.5%, 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 mainly in relation to the assignment of BTO rights for Cebu Towers 3 and 4.

Noncurrent assets held for distribution

The Company's other noncurrent assets held for distribution was nil as of December 31, 2021, a decrease of ₱6,843.7 million, or 100.0%, from other noncurrent assets held for distribution of ₱6,843.7 million as of December 31, 2020. On December 04, 2020, the company declared property dividends covering the Axis Tower 2, Axis Tower 3 and Axis Tower 4 buildings. In additional , On February 11, 2021, the Company's Board approved the declaration of property dividends 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) Cebu Tower 2 in Filinvest Cyberzone Cebu which is yet to qualify for 3 year income generating period to qualify as a REIT asset.. The properties comprising the Property Dividend are classified as noncurrent assets held for distribution in the Company's books until the distribution of these properties is approved by the Philippine SEC, which was received in July 15, 2021.

Advances to contractors

The Company's advances to contractors were ₱13.3 million as of December 31, 2021, a decrease of ₱5.1 million, or 27.7%, from advances to contractors of ₱18.4 million as of December 31, 2020, due to recoupment of down payment from progress billings made by the contractors.

Investment properties

The Company's investment properties were ₱9,165.9 million as of December 31, 2021, a decrease of ₱2,463.9 million, or 21.2%, from investment properties of ₱11,629.8 million as of December 31, 2020 primarily due to the property dividends declared.

Property and equipment

The Company's property and equipment was ₱81.7 million as of December 31, 2021, an increase of ₱13.3 million, or 19.4%, 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 ₱1,054.5 million as of December 31, 2021, a decrease of ₱2,354.4 million, or 69.1%, 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 ₱250.5 million as of December 31, 2021, a decrease of ₱137.9 million, or 35.5%, from other noncurrent assets of ₱388.4 million as of December 31, 2020, primarily due to the amortization of DCS connection charges paid per the BOT agreement between the Company and PDDC.

Liabilities

The Company's liabilities were ₱7,988.5 million as of December 31, 2021, a decrease of ₱12,134.9 million, or 60.3%, 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 ₱1,222.7 million as of December 31, 2021, a decrease of ₱361.1 million, or 22.8%, from accounts payable and other current liabilities of ₱1,583.7 million as of December 31, 2020, primarily due to payment of advances from related parties.

Loans payable – current portion

The Company's loan payables – current portion was nil as of December 31, 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 December 31, 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 – current portion

The Company's security and other deposits – current portion was ₱97.0 million as of December 31, 2021, a decrease of ₱19.4 million, or 16.7%, from security and other deposits – current portion of ₱116.4 million as of December 31, 2020, primarily due to transfer of deposits to FLI.

Dividends Payable

The Company's dividend payable was nil as of December 31, 2021, compared to dividend payable of ₱6,611.9 million as of December 31, 2020. This amount reflects the carrying value of the properties subject of the First Property Dividend**.** Distribution of the property dividends was booked upon approval of the Philippine SEC, which was received in July 15, 2021.

Income tax payable

The Company's income tax payable was nil as of December 31, 2021 and December 31, 2020. In 2020, the Company still has enough creditable withholding tax applied to income tax payable. While in 2021, the company became a REIT company, and has no more income tax due as it declares cash dividends.

Loans payable – net of current portion

The Company's loans payable – net of current portion was nil as of December 31, 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. The increase in capital stock and subscription by FLI was approved by SEC on July 2, 2021.

Bonds payable

The Company's bonds payable was ₱5,987.0 million as of December 31, 2021, an increase of ₱12.9 million, or 0.2%, 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 was ₱26.0 million as of December 31, 2021, a decrease of ₱2,071.5 million, or 98.8%, 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 transferred to FLI and were presented as noncurrent assets held for distribution as of December 31, 2020 and also pursuant to the Feb 11 2021 amendment on the Contract of Lease, where the lease is purely a percentage of revenues.

Deferred tax liability – net

The Company's deferred tax liability – net was nil as of December 31, 2021, compared to 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 assets transferred to FLI, and to the company being a REIT and is expected to have zero taxable income in the future.

Security and other deposits – net of current portion

The Company's security and other deposits – net of current portion were ₱654.0 million as of December 31, 2021, a decrease of ₱78.7 million, or 10.7%, from security and other deposits – net of current portion of ₱732.7 million as of December 31, 2020, primarily due to transfer of deposits to FLI.

Other noncurrent liabilities

The Company's other noncurrent liabilities was nil as of December 31, 2021, compared to other noncurrent liabilities of ₱300.4 million as of December 31, 2020, primarily driven by decrease in retention payable.

Performance Indicators

Financial Ratios	**Particulars**	**For the year ended December 31, 2021**	**For the year ended December 31, 2020**
Earnings per Share	Net Income / Weighted Ave. number of outstanding shares	0.53	0.80
Debt to Equity Ratio	Loans Payable+Bonds Payable+Lease Liabilites / Total Stockholder's Equity	1.01: 1	2.06: 1
Current Ratio	Current Asset / Current Liability	2.58: 1	1.06: 1
Debt Ratio	Total liabilities / Total assets	0.57: 1	0.80: 1
Income before income tax, interest and other financing charges, depreciation and amortization (IBITDA) to total interest paid	IBITDA / Total interest paid	7.84: 1	5.97: 1
Quick asset ratio	Current assets – Inventories / Current liabilities	2.58: 1	1.06: 1
Solvency ratio	Net Income + Depreciation / Total liabilities	0.29: 1	0.11: 1
Interest coverage ratio	Income before income tax (IBIT) + interest and other financing charges / Interest and other financing charges	6.01: 1	6.63: 1
Net profit margin	Net Income / Revenue	0.54: 1	0.60: 1
Return on equity	Net income / Shareholder's Equity	0.31: 1	0.36: 1

Movement of Earnings per share (EPS) thru the years is directly related to the movement of net income.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

SyCip, Gorres, Velayo & Co (SGV) has been the duly appointed independent auditors for the years covered by this report.

SGV has been recommended for election as external auditor for the year 2019. FILRT, in compliance with SRC Rule 68(3)(b)(iv) relative the seven-year rotation requirement of its external auditors, has designated Ms Wanessa Salvador as its engagement partner starting CY 2020. Thus, Ms Salvador is qualified to act as such until year 2025.

There has been no disagreement with the company's independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Part III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Set forth below are the directors and officers of the Parent Company and their business experience for the past five (5) years:

Lourdes Josephine Gotianun-Yap *Chairperson of the Board of Directors*	Mrs. Yap, 66, Filipino, was elected as Chairperson of the Board of FILRT on February 11, 2021. She has been a director of FILRT since 2001. She is also a Director, President and Chief Executive Officer of Filinvest Development Corporation (FDC) and Filinvest Land, Inc. (FLI), and a Director in Eastwest Banking Corporation (EWBC), all publicly-listed companies. She is the Chairperson and CEO of Filinvest Alabang, Inc. (FAI), a director of FDC Utilities, Inc. (FDCUI) and in other companies within the Filinvest Group. She obtained her Master's Degree in Business Administration from the University of Chicago in 1977.
Maricel Brion-Lirio *Director, President and Chief Executive Officer*	Mrs. Lirio, 52, Filipino, was elected as Director, President and Chief Executive Officer of FILRT on February 11, 2021. Prior to that, she was the Executive Vice-President and Chief Operating Officer of FILRT and Senior Vice President-Offices and Vice President-Project Group Head of FAI. She was also formerly a Senior Assistant Vice President and Marketing Director for Philam Properties Corporation, National Sales Manager for Triumph International (Phils.) Inc., Marketing and Leasing Manager of D.C. Realty and Finance Corp., Marketing Services and Customer Relations Manager of Mazda and BMW Philippines and a money market trader of CityTrust Banking Corp., a Citibank N.A. subsidiary. She obtained her Bachelor's Degree in Mass Communications from Assumption College Makati. She also attended the Business Management Program of Asian Institute of Management and earned units in the Graduate School of Management at the University of San Francisco, California.
Tristaneil D. Las Marias *Director*	Mr. Las Marias, 47, Filipino, was elected as Director of FILRT on September 30, 2020. He also serves as the Executive Vice-President and Chief Strategy Officer of FLI. He is also the Chairman of FREIT Fund Managers, Inc., President of Property Specialist Resources, Inc. and a director in other companies under the Filinvest Group. He started in 1997 as Head of Regional Projects and went on to hold a higher position as Senior Vice-President and Cluster Head for Visayas and Mindanao projects as well as Southwest and Central Luzon of FLI. Prior to joining the Filinvest Group, he was Assistant Vice President and Head of Marketing and Business Development of Landtrade Properties and Marketing Corporation and a Project Officer of Landco Pacific Corporation.He obtained his Bachelor of Arts, Major in Management Economics degree from Ateneo de Manila University
Francis Nathaniel C. Gotianun	Mr. Gotianun, 38, Filipino, was first elected as Director of the Company on September 30, 2020. His appointment as Director of the Company became

Director	effective on July 2, 2021. He is the Senior Vice-President of Filinvest Hospitality Corporation, a subsidiary of FDC, the primary role of which is to evaluate, plan, develop and optimize potential and current hospitality investments of the Filinvest Group. He serves as a director of Filinvest Mimosa, Inc. and as the President and CEO of The Palms Country Club Inc. He is also a director of FLI, a publicly-listed company. He obtained his Bachelor's Degree in Commerce from the University of Virginia in 2005 and his Master's in Business Administration degree in IESE Business School – University of Navarra in 2010.
Val Antonio B. Suarez *Independent Director*	Mr. Suarez, 63, Filipino, is an independent director of FILRT, having been first elected on April 6, 2017. He is the Managing Partner of the Suarez & Reyes Law Offices and was the former President and Chief Executive Officer of The Philippine Stock Exchange, Inc.. Mr. Suarez is also an independent director of FDC, FLI and Lepanto Consolidated Mining Company, all publicly listed companies, and a member of the Integrated Bar of the Philippines (Makati Chapter) and the New York Bar. He obtained his Bachelor of Laws degree from the Ateneo de Manila University Law School and a Master of Laws degree from Georgetown University Law Center.
Virginia T. Obcena *Independent Director*	Ms. Obcena, 74, Filipino, was first elected as an independent director of FILRT on July 17, 2019. She is also an independent director of FDC, a publicly-listed company. She is a member of the Friends of the Philippine General Hospital (FPGH), a non-stock, non-profit organization. She served as independent director and head of the Audit Committee of the Capital Markets Integrity Corporation. She was a former partner, member of the management committee and head of quality and risk management at SyCip Gorres Velayo & Co. (SGV & Co.). She obtained her Bachelor of Science in Business Administration degree, Magna cum Laude, at the University of the East and her Master in Business Administration degree at the University of the Philippines. She is a Certified Public Accountant.
Gemilo J. San Pedro *Independent Director*	Mr. San Pedro, 68, Filipino, was first elected as Director of the Company on September 30, 2020. His appointment as Director of the Company became effective on July 2, 2021. He has 38 years of experience in public accounting and business advisory services. Prior to his retirement on 30 June 2015, he served various leadership roles at SGV & Co. He was a partner in SGV & Co. from 1991 to 2015 and Professional Practice Director and Quality and Risk Management Leader from 2004 to 2015. He is also an independent director of FLI, a publicly-listed company. He finished his Bachelor of Science in Commerce-Major in Accounting degree at Rizal Memorial Colleges, Davao City, in 1976. He obtained his Master of Business Administration, concentration in Finance and International Business, at the Graduate School of Business, New York University, (now Stern Graduate School) USA, in 1983.
Ana Venus A. Mejia *Treasurer and Chief Finance Officer*	Ms. Mejia, 56, Filipino, is the Treasurer; Chief Finance Officer of FILRT. She also serves as the First Senior Vice President, Treasurer, Chief Finance Officer of FLI. She is a Certified Public Accountant and a magna cum laude graduate of Pamantasan ng Lungsod ng Maynila. She obtained her Master's Degree from the Kellogg School of Management of Northwestern University and the School of Business and Management at the Hong Kong University of Science and Technology.
Katrina O. Clemente-Lua *Assistant Corporate Secretary and Corporate Information Officer*	Ms. Clemente-Lua, 38, Filipino, was appointed as FILRT's Assistant Corporate Secretary on 15 February 2022. She joined the Corporate and Tax Advisory Division of the Legal Department of Filinvest Land, Inc. ("FLI") in October 2018. She is also the Assistant Corporate Secretary and Corporate Information Officer of FLI and FDC. Prior to joining FLI, she served as the Legal Counsel of Philippine Stratbase Consultancy, Inc. and Executive Director of Stratbase ADR Institute. She was previously an associate of Carag

	Jamora Somera & Villareal Law Offices as well as Senior Corporate Affairs Officer of Anchor Land Holdings. She obtained her Bachelor of Arts degree in Legal Management from De La Salle University and her Juris Doctor degree from Ateneo de Manila University.
Maria Victoria Reyes-Beltran *Compliance Officer*	Ms. Reyes-Beltran, 55, Filipino was appointed as Compliance Officer of FILRT on 18 November 2021. She also served as Senior Vice-President – General Counsel and Compliance Officer of Filinvest Land, Inc. ("FLI"). Prior to joining FLI, she served as Director of the Office of Internal Legal Counsel of R.G. Manabat & Co., a professional partnership firm affiliated with KPMG International. She also served as General Counsel of the Corporate Legal Unit of JG Summit Holdings, Inc. and Universal Robina Corporation, its subsidiaries, and regional operations in Southeast Asia as well as Corporate Secretary of the printed media unit of the group. She obtained her Bachelor of Arts degree major in Philosophy from the University of the Philippines and her Bachelor of Laws degree from San Beda College of Law. She completed her Master of Laws in International Commercial Law at the Ateneo School of Law and course on Structuring International Joint Venture at the University of California, Davis Campus.
Raymond Wilfred L. Castañeda *Data Protection Officer*	Mr. Castañeda, 45, Filipino, is the Data Privacy Officer of FILRT. He concurrently serves as President and Chief Operations Officer of Corporate Technologies Incorporated. He has twenty-two (22) years combined experience in different areas covering sales and marketing, information technology, strategy and general management. He was previously the Chief Information Officer and Head of IT for Petron Corporation. Prior to his experience in the Oil and Gas industry, he was with the fast-moving consumer goods business where he was involved in the digital transformation of the multinational companies such as Unilever, Johnson and Johnson and SC Johnson. He graduated from the Ateneo de Manila University, with a degree in BS Management Information Systems in 1999.
Patricia Carmen D. Pineda *Investor Relations Officer*	Ms. Pineda, 48, Filipino, is the Investor Relations Officer of FILRT. She also serves as the Senior Assistant Vice-President and Group Investor Relations Head of FDC. She was previously the Head of Investor Relations for Metropolitan Bank & Trust Company. She also served as the Head of Investor Relations Concurrent Head of Controllership and Analysis for Manila Water Company, Inc. and Investor Relations Manager for Ayala Land, Inc. She holds a Bachelor of Science degree, major in Economics from the University of the Philippines, and a Master of Science degree in Finance from the same university.

Other Significant Employees

FILRT has no significant employees other than those directors and officers already mentioned above.

Family Relationship

Mr. Francis Gotianun, Director, is the nephew of Ms. Lourdes Josephine G. Yap, Chairperson of the Board. There are no other family relationships by either consanguinity or affinity among the Company's executives and directors other than the foregoing.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge and belief and after due inquiry, none of the Directors, or executive officers of the Company have, in the five-year period prior to the date of this Information Statement, been convicted judicially or administratively of an offense or judicially declared insolvent, spendthrift, or incapacitate to contract.

Item 10. Executive Compensation

The table below sets forth the compensation of the CEO and top four (4) highest compensated officers of the Company for the years indicated:

Name and Principal Position	Year	Salary (₱ million)	Bonus (₱ million)	Other Annual Compensation (₱ million)	Total (₱ million)
CEO and top four (4) highest compensated officers*					
Maricel Brion-Lirio (CEO) Ana Venus Mejia (CFO) Raymond Castaneda (Data Protection Officer)	2022	-	-	-	-
Maricel Brion-Lirio (CEO) Michael Mamalateo (SAVP)* Yasmin M. Dy (AVP)* Ana Venus Mejia (CFO, Compliance Officer) Raymond Castaneda (Data Protection Officer)	2021	1.5	-	-	1.5
Lourdes Josephine Gotianun-Yap (President & CEO) Maricel Brion-Lirio (EVP) Ana Venus Mejia (Treasurer & CFO) Michael Mamalateo (SAVP) Yasmin M. Dy (AVP)	2020	7.8	1.6	0.4	9.7
All officers and directors as a group unnamed	2022 Estimated	-	-	-	-
	2021	1.5	-	-	1.5
	2020	7.8	1.6	0.4	9.7

** Resigned on February 28, 2021*

The officers of the Company do not receive compensation from the Company and as such the officers are paid by the other entities within the Filinvest Group. Aside from Ms. Yasmin Dy and Mr. Michael Mamalateo, who both resigned from FILRT on February 28, 2021, FILRT did not have any other directors, officers or employees that receive compensation.

Except for a per diem of ₱50,000.00 being paid to each of the independent directors for every meeting attended, there are no other arrangements for the payment of compensation or remuneration to the directors in their capacity as such.

There are no Employment Contracts between the Company and the named Executive Officers. There are no compensatory plan or arrangement with respect to a named executive officer. There are no outstanding warrants or options held by the Company’s CEO, the named executive officers, and all officers and directors as a group. There are no stock warrants or options previously awarded to any of the officers and directors.

Key Management Personnel

The key management functions of the Group are handled by FCI starting March 2021. For the years ended December 31, 2021 and 2020, compensation of other key management personnel directly paid by the Group pertains to short-term employee benefit amounting ₱1.5 million and ₱9.7 million, respectively.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The names, addresses, citizenship, number of shares held, and percentage of total of persons owning more than five percent (5%) of the outstanding voting shares of FILRT as at 31 December 2021 are as follows:

Title of Class of Securities	Name/Address of Record Owner and Relationship with FILRT	Name of Beneficial Owner/Relationship with Record Owner	Citizenship	No. of shares Held		% of Ownership
Common	Filinvest Land Inc, *79 EDSA, Highway Hills, Mandaluyong City*	FLI[3]	Filipino	3,095,498,345	(R)	63.27%

Except as stated above, the Board of Directors and Management of the Company have no knowledge of any person who, as of the date of the annual report, was directly or indirectly the beneficial owner of more than five percent (5%) of the Company's outstanding shares or who has voting power or investment power with respect to shares comprising more than five percent (5%) of the Company's outstanding common stock.

Total number of shares of all record and beneficial owners is 4,892,777,994 common shares representing 100% of the total issued and outstanding common shares.

As of December 31, 2021, 87,996,800 common shares or 1.80% of the outstanding common shares of the Corporation are owned by foreigners.

The names, citizenship, number of shares held and percentage to total of persons forming part of the Board and Management of the Company as of December 31, 2021 are as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Common	Lourdes Josephine Gotianun-Yap	2 (D) 8,594,934 (I)[4]	Filipino	Negligible 0.18%
Common	Maricel Brion-Lirio	6,002 (D) 0 (I)	Filipino	Negligible
Common	Tristaneil D. Las Marias	2 (D) 0 (I)	Filipino	Negligible
Common	Francis Nathaniel C. Gotianun	2 (D) 0 (1)	Filipino	Negligible
Common	Val Antonio B. Suarez	2 (D) 0 (I)	Filipino	Negligible
Common	Virginia T. Obcena	2 (D) 0 (I)	Filipino	Negligible
Common	Gemilo J. San Pedro	2 (D) 0 (I)	Filipino	Negligible
Common	Ana Venus A. Mejia	100,000 (D) 70,000 (I)	Filipino	Negligible Negligible
N.A.	Maria Victoria Reyes-Beltran	0 (I)	Filipino	Negligible
N. A.	Raymond Wilfred L. Castañeda	0	Filipino	N. A.
N. A.	Patricia Carmen D. Pineda	0	Filipino	N. A.

[3] Stockholders are the beneficial owners. Ms. Lourdes Josephine Gotianun-Yap is typically appointed by Filinvest Land, Inc. ("FLI") as its representative, with authority to vote FLI's shares in stockholders' meetings of FILRT.

[4] Includes 900,000 indirect shares through shares of stock in FILRT under the name Joseph Patrick G. Yap, Jr., Isabelle Therese G. Yap and Joseph &/or Josephine Yap, and the 7,694,934 indirect shares beneficially owned through shares of stock in Filinvest Land, Inc. under the name Joseph &/or Josephine Yap

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
N. A.	Katrina O. Clemente-Lua	0	Filipino	N. A.
	TOTAL	106,014 (D) 8,664,934 (I)		Negligible 0.18%

Voting Trust Holders of 5% or more
There are no persons holding 5% or more of a class of shares under any voting trust or similar agreement.

Changes in Control
There are no arrangements that may result in change in control of the Parent Company.

Item 12. Certain Relationships and Related Transactions

There are no transactions with officers, directors, or any principal stockholders that are not in the regular course of business of the Company. In addition, there have been no disputes or conflicts regarding related party transactions of the Company.

Part IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Compliance with Leading Practices on Corporate Governance

FILRT is in substantial compliance with its Manual for Corporate Governance as demonstrated by the following: (a) the election of two (2) independent directors to the Board; (b) the appointment of members of the audit, nomination and compensation committees; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors; (d) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (e) FILRT's adherence to national and local laws pertaining to its operations; and (f) the observance of applicable accounting standards by FILRT.

FILRT welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors, to improve corporate governance.

There is no known material deviation from FILRT's Manual on Corporate Governance.

Part V – STATUS OF IMPLEMENTATION OF THE REINVESTMENT PLAN

Section 5.e of the Implementing Rules and Regulations of the Real Estate Investment Trust (REIT) Act of2009 (R.A. No. 9856) issued on Jan 20,2020, primarily requires the submission of a Reinvestment Plan with a firm undertaking to reinvest (a) any proceeds realized by the Sponsor/Promoter from the sale of REIT shares or other securities issued in exchange for income-generating Real Estate transferred to the REIT and (b) any money raised by the Sponsor/Promoter from the sale of any of its income-generating Real Estate to the REIT, in any Real Estate, including any redevelopment thereof, and/or Infrastructure Projects in the Philippines. This reinvestment shall be made within one (1) year from the date of receipt of proceeds or money by the Sponsor/Promoter.

FILRT did not receive any proceeds from its IPO. The Sponsor FLI receives the proceeds from the secondary offering on Aug 12, 2021. As such the reinvestment plan was submitted by FLI, and accordingly the progress reports thereon are also submitted by FLI.

Item 14 – 2021 Annual Progress Report on the Disbursement of Proceeds from the Initial Public Offering ("IPO") of Filinvest REIT Corp. ("FILRT")

Below is an excerpt from the report filed by FLI to the SEC on Jan 14, 2022

Gross Proceeds from IPO	Php	12,583,246,445.00
Purchase of shares during the stabilization period	-	2,281,799.73
Underwriters and IPO-related fees	-	316,945,305.82
Net Proceeds received		12,264,019,339.45
Disbursements for Transaction Costs, Aug. 12- Sept. 30	-	132,542,600.57
Disbursements for Transaction Costs, Oct. 1- Dec. 31	-	1,571,600.24
Available for Reinvestment		12,129,905,138.64
Disbursements for Reinvestment Aug 12- Sept 30	-	1,566,787,666.62
Disbursements for Reinvestment Oct 1-Dec. 31	-	872,622,139.24
Balance of IPO Proceeds as of December 31, 2021	Php	9,690,495,332.78

For the details of the capital expenditures, please refer to attached Exhibit on the submission of the above report filed by sponsor FLI on Jan 14, 2022, on the application of proceeds from the sale of shares of FILRT, owned by FLI, via secondary sale.

WORKPLACE REIMAGINED

Accelerated Transformation for a Sustainable Workplace

2021 ANNUAL AND SUSTAINABILITY REPORT

VISION

To grow a trusted portfolio of sustainable Grade A office properties that enriches the lives and well-being of our community.

MISSION

- To enable the growth of our locators through dependable, redundant and sustainable environment
- To create and add value for our investors
- To build vibrant communities that enrich the lives of those who live and work in them
- To respect and protect the environment

ABOUT THIS ANNUAL AND SUSTAINABILITY REPORT

This combined Annual and Sustainability Report is the disclosure of Filinvest REIT Corp. (FILRT) on its financial and non-financial performance covering the calendar period ending December 31, 2021. It may contain "forward-looking statements" which are subject to a number of risks and uncertainties that could affect FILRT's business and results of operations. Any forward-looking statements are made based on current assessments. Although FILRT believes that expectations reflected in any forward-looking statements are reasonable, it can give no guarantee of future performance, action or events.

The report on non-financial performance is published in compliance with the provisions of the Securities and Exchange Commission's Memorandum Circular No. 4, Series of 2019 (SEC MC 4), and aligns with the Sustainability Reporting Guidelines for Publicly Listed Companies (the SEC ESG Guidelines). It also uses the Global Reporting Initiative (GRI) Standards' principles and reporting guidelines as reference.

Feedback on or inquiries about this report may be forwarded to *ir@filinvestreit.com*.

Feedback on or inquiries about this report or any matter concerning the EESG performance of Filinvest REIT Corp. may be forwarded to *sustainability@filinvestgroup.com.*

CONTENTS

ABOUT FILRT

Filinvest REIT Corp. (FILRT) is a real estate investment trust backed by Filinvest Land, one of the largest property developers in the Philippines with an established portfolio of residential, commercial, industrial, and office developments around the archipelago.

Listed on the Philippine Stock Exchange on August 12, 2021, FILRT is a wholly owned subsidiary of Filinvest Land, maintains a highly competitive and attractive portfolio of office buildings which cater mainly to high-growth multinational Business Process Outsourcing (BPO) firms. Competitive rental rates, as well as fiscal and non-fiscal benefits for locators, attract BPO companies to lease office space.

FILRT's portfolio consists of 17 office buildings: 16 located in Northgate Cyberzone, a Philippine Economic Zone Authority (PEZA) registered IT Park in Filinvest City, Alabang, and one in Cebu Cyberzone, the gateway of Cebu IT Park in Lahug, Cebu City. All these Grade A office buildings of more than 300,000 square meters of gross leasable area sit on prime property.

FILRT operates as a Real Estate Investment Trust in compliance with Republic Act No. 9856, otherwise known as the REIT Act of 2009.

CORE VALUES

Sustainability

Integrity

Proactive Service

Innovation

Cost Effectiveness

2021 Financial and Operating Highlights

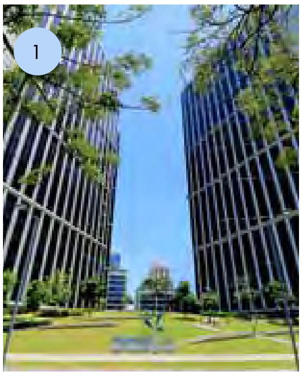
Statement of Income (₱ millions)	
Total Revenues	3,442
Net Income	1,855
Statement of Financial Position (₱ millions)	
Cash and Cash Equivalents	2,587
Total Assets	13,972
Bonds Payable	5,987
Total Liabilities	7,989
Stockholders' Equity	5,984
Statement of Cashflows (₱ millions)	
Net Cashflow provided by Operating Activities	2,140
Net Cash provided by Investing Activities	1,002
Net Cash used in Financing Activities	-1,425
Financial Ratios	
Current Ratio	2.58
Debt-to-equity ratio	1.01
Stock Information (as of end-2021)	
Market Capitalization (₱ millions)	36,207
Stock Price (₱)	7.40
Outstanding Shares (millions)	4,893
Earnings per Share (₱)	0.53
Operational Highlights	
Total GLA ('000 sqm)	301,362
Average Occupancy	89%

OUR PORTFOLIO

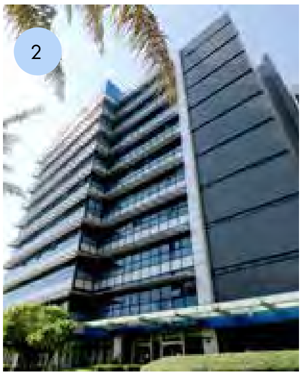
OUR LOCATIONS

No.	Building	Description	Year Completed	Total GLA (sqm)
1	Axis Tower 1	Grade A, LEED Gold, PEZA-accredited	Mar-18	40,869
2	Filinvest One	Grade A, PEZA-accredited	Jun-13	19,637
3	Filinvest Two	Grade A, PEZA-accredited	Sep-15	23,784
4	Filinvest Three	Grade A, PEZA-accredited	Jan-15	23,784
5	Vector One	Grade A, PEZA-accredited	May-11	17,764
6	Vector Two	Grade A, PEZA-accredited	Sep-14	17,889
7	Vector Three	Grade A, LEED Gold, PEZA-accredited	Jan-17	36,345
8	Plaza A	Grade A, PEZA-accredited	Oct-07	10,860
9	Plaza B	Grade A, PEZA-accredited	Mar-01	6,488
10	Plaza C	Grade A, PEZA-accredited	Mar-01	6,540
11	Plaza D	Grade A, PEZA-accredited	Jun-07	10,860
12	Plaza E	Grade A, PEZA-accredited	Feb-14	14,859
13	iHub1	Grade A, PEZA-accredited	Jun-08	9,480
14	iHub2	Grade A, PEZA-accredited	Aug-09	14,181
15	5132 Building	Grade A, PEZA-accredited	Nov-07	9,409
16	Capital One	Grade A, PEZA-accredited	Oct-05	18,000
17	Cebu Tower 1	Grade A, PEZA-accredited	Jun-15	20,612

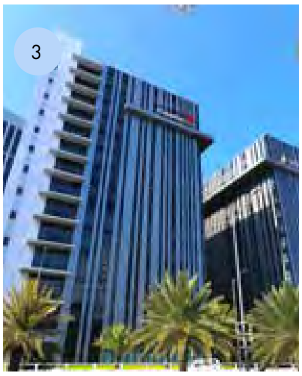
OUR PORTFOLIO



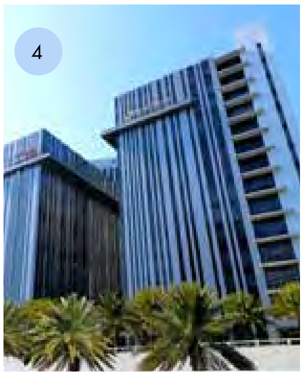
Axis Tower 1
Grade A, LEED Gold,
PEZA-accredited
Year Completed: March 2018
GLA: 40,869 sq. meters



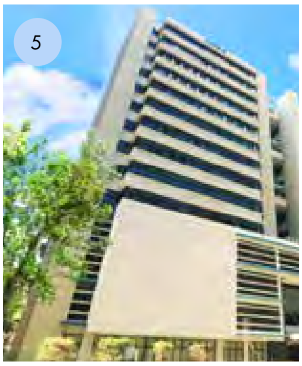
Filinvest One
Grade A, PEZA-accredited
Year Completed: June 2013
GLA: 19,637 sq. meters



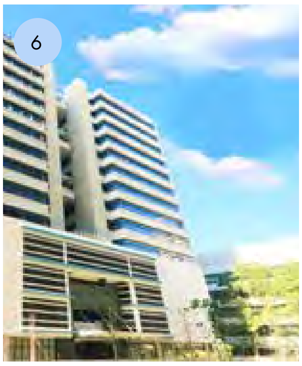
Filinvest Two
Grade A, PEZA-accredited
Year Completed: Sept 2015
GLA: 23,784 sq. meters



Filinvest Three
Grade A, PEZA-accredited
Year Completed: January 2015
GLA: 23,784 sq. meters

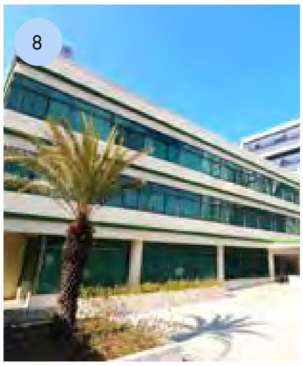


Vector One
Grade A, PEZA-accredited
Year Completed: May 2011
GLA: 17,764 sq. meters

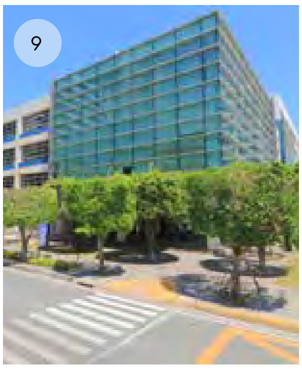


Vector Two
Grade A, PEZA-accredited
Year Completed: September 2014
GLA: 17,889 sq. meters

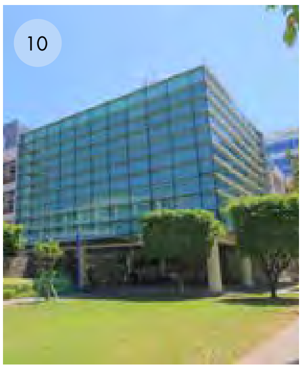
Vector Three
Grade A, LEED Gold,
PEZA-accredited
Year Completed: January 2017
GLA: 36,345 sq. meters



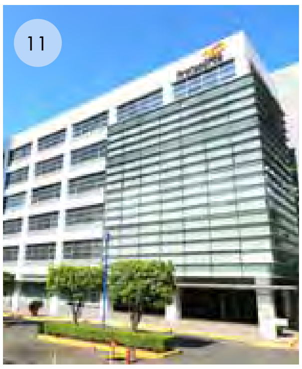
Plaza A
Grade A, PEZA-accredited
Year Completed: October 2007
GLA: 10,860 sq. meters



Plaza B
Grade A, PEZA-accredited
Year Completed: March 2001
GLA: 6,488 sq. meters

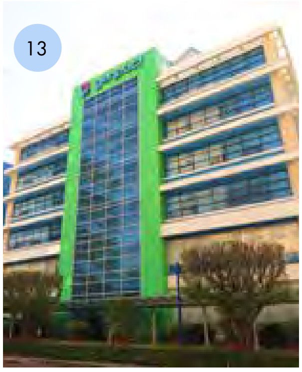


Plaza C
Grade A, PEZA-accredited
Year Completed: March 2001
GLA: 6,540 sq. meters

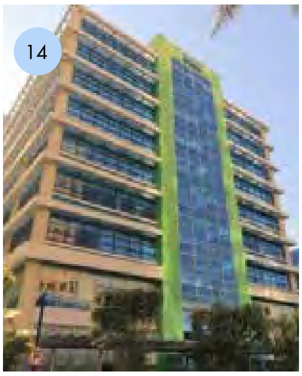


Plaza D
Grade A, PEZA-accredited
Year Completed: March 2007
GLA: 10,860 sq. meters

Plaza E
Grade A, PEZA-accredited
Year Completed: February 2014
GLA: 14,859 sq. meters

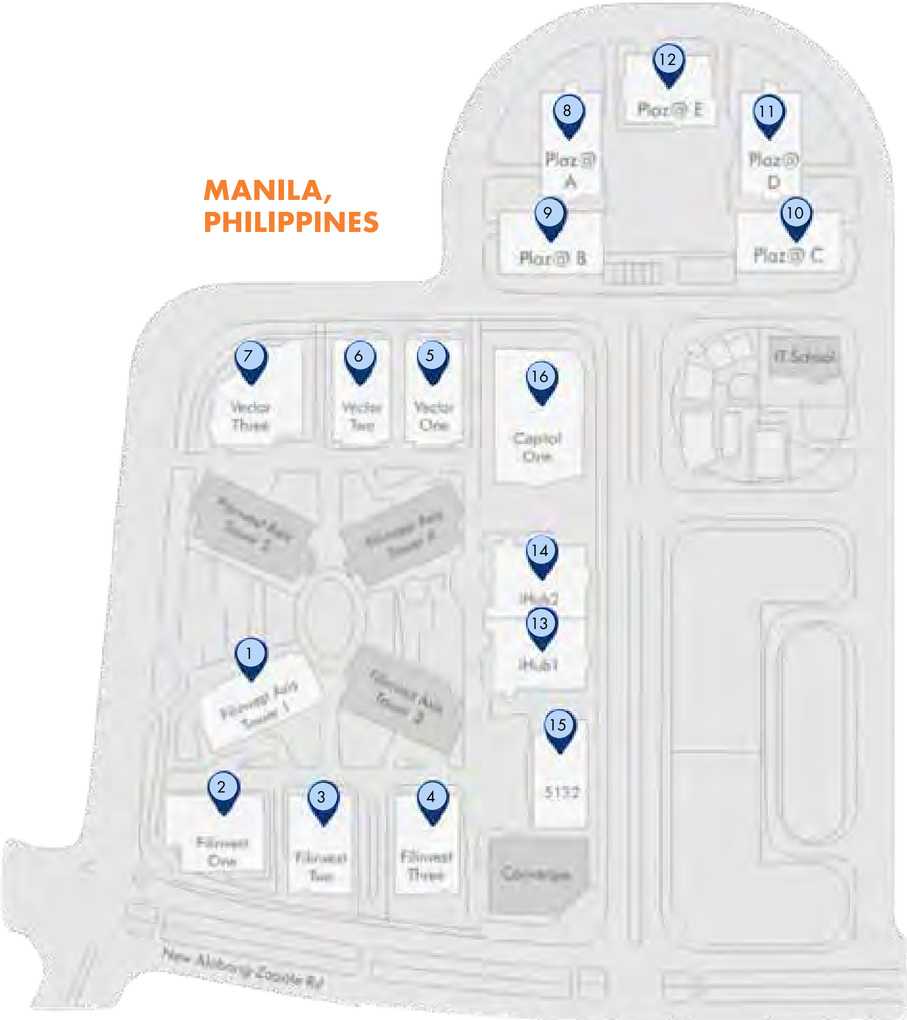


iHUB1
Grade A, PEZA-accredited
Year Completed: June 2008
GLA: 9,480 sq. meters



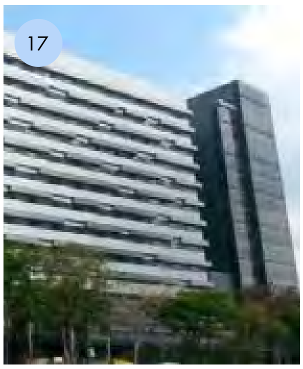
iHUB2
Grade A, PEZA-accredited
Year Completed: August 2009
GLA: 14,181 sq. meters

MANILA, PHILIPPINES



5132 Building
Grade A, PEZA-accredited
Year Completed: November 2007
GLA: 9,409 sq. meters

Capital One
Grade A, PEZA-accredited
Year Completed: October 2005
GLA: 18,000 sq. meters



Cebu Tower 1
Grade A, PEZA-accredited
Year Completed: June 2015
GLA: 20,612 sq. meters

JOINT MESSAGE FROM THE CHAIRPERSON AND THE PRESIDENT AND CEO

Transforming and Building a Sustainable Workplace

It is with pride that we publish our 2021 Annual and Sustainability Report, our first as a publicly listed company on the Philippine Stock Exchange. We are pleased to report the accomplishments of Filinvest REIT Corporation (FILRT) and the financial results of the Company in 2021, as well as the growth plans we have laid out for the future. We are committed to grow the Company organically from our initial portfolio and inorganically from the acquisition of new assets, as we constantly seek ways to create value for our various stakeholders.

Our journey towards becoming a listed entity was not easy. Amidst the uncertainties in the macroeconomic environment, we managed to launch FILRT as Filinvest's flagship commercial REIT and the third REIT in the country. Looking back at 2021, we are convinced that we could not have done it at a more opportune time.

The Philippines' REIT Act is not new. It was first enacted over a decade ago, in 2009, but did not gain traction because of its many restrictions and impositions. This prompted the Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue (BIR) to issue new regulations on the taxability of REITs, as well as amendments to the REIT Implementing Rules and Regulations January 2020. This gave us the impetus to revisit our plans and evaluate our REIT-able assets.

The result was a formidable portfolio comprised of 17 Grade A office assets with a total valuation of ₱48.5 billion, representing over 300,000 square meters of gross leasable area (GLA).

Geographically, the portfolio is strongly focused on Metro Manila, in particular, the Alabang central business district where Filinvest, the Sponsor of FILRT, is the market leader with almost half of the market share. Alabang is a strong commercial business district (CBD) market and has seen higher rental rate growth than Makati and Metro Manila over the last 10 years.

What sets FILRT apart

Sixteen of the 17 assets or 94% of our portfolio by valuation are located in the award-winning Filinvest City, an integrated and masterplanned township in the Alabang CBD in southern Metro Manila. With offices, retail centers, world-class hotels, affordable living alternatives such as The Crib Dormitel, schools and hospitals - all wrapped with lush greens, jogging and biking trails and inspiring open spaces - Filinvest City is truly a live-work-play-and-learn metropolis. The remaining asset is located in Cebu, on the gateway of Cebu IT park, a fast-growing office expansion destination outside Metro Manila. Cebu Tower 1 is 100% occupied by top multinational BPO firms, a testament to the trust of the industry in FILRT developments.

To differentiate FILRT from the growing REIT market in the Philippines, we positioned our portfolio as the first sustainability-themed REIT, given its many green features. Filinvest City, where majority of the buildings are located, is the first CBD in the Philippines to receive LEED® v4 Gold for Neighborhood Development Plan certification for its township-wide green and sustainability features. Two of these buildings are LEED Gold-certified.

A testament to this sustainability thrust is the recognition FILRT earned from the prestigious 12th Asia CEO Awards. FILRT was hailed as a Circle of Excellence Awardee for Sustainability Company of the Year.

Filinvest City has excellent connectivity to major CBDs and neighboring regions, boosting its attractiveness to the locators of FILRT. The portfolio also has access to a wide range of supporting amenities and infrastructure such as the 1400 KVA truck-mounted PEZA-approved mobile genset as additional backup to the in-building gensets. Majority of the buildings are attached to the largest district cooling system (DCS) plant in the Philippines, substantially reducing energy consumption and greenhouse gas emissions by as much as 40%, and saving about 11,500 tons of carbon dioxide per year.

Ahead of the curve

At the time of the IPO listing, our portfolio was leased primarily to business process outsourcing (BPO) office tenants which accounted for 91% of occupied GLA. Traditional office tenants made up 8%, and the small remainder was leased to Philippine online gaming operators (POGO) and retail tenants. The top 10 tenants in the portfolio contributed about 60% of GLA and include major multinational BPO companies and a global bank.

With these value propositions, FILRT's public listing on August 12, 2021 led to a fully subscribed 12.6-billion IPO. Barely three months later, FILRT joined the MSCI Philippine Small Cap Index — an affirmation of the Company's positive growth prospects.

"We are committed to grow the Company organically from our initial portfolio and inorganically from the acquisition of new assets, as we constantly seek ways to create value for our various stakeholders."

Lourdes Josephine Gotianun - Yap, *Chairperson*

Since the IPO, we have been exceeding our targets. Despite the widespread community lockdowns from the second to the third quarters of 2021, FILRT recorded a net income of ₱1.9 billion on revenues of ₱3.4 billion in 2021. This allowed us to distribute three cash dividends to date, totaling ₱0.336 per share, equivalent to an annualized dividend yield of 6.4%. This is higher than the 6.3% dividend yield we projected for 2021 in our REIT Plan and based on our IPO price of ₱7.00 %per share. Taking into account the market price appreciation since the IPO, FILRT has provided a total return of 12.11% to our IPO investors as of end-2021.

Our average portfolio occupancy was recorded at 89% with a weighted average lease expiry (WALE) of 3.7 years by end-2021. Despite the challenges of a globally changing workplace environment, we maintained a very strong history of lease renewals. We signed and renewed 90% of our 2021 expiring leases with an average five-year lease term. We are in the process of renewing 2022 lease expiries comprised of multinational BPO and ROHQ tenants. We have also signed and renewed the contract of two of our valued tenants with more than 4,300 square meters six months ahead of expiry schedule and signed the Letter of Intent for more than 11,880 square meters of two other multinational blue chip BPO companies. This is a testament to the trust and confidence of our global tenants in FILRT and an affirmation of the resiliency of the BPO industry in general. With the reopening of the economy and the growing demand from multinational BPO companies for office spaces, we remain optimistic that occupancy will further improve despite the lingering effects of the pandemic.

"Given our robust tenant base, 91% of which are comprised of BPOs as of end-2021, FILRT's buildings will continue to attract locators for several reasons."

Maricel Brion-Lirio, *President and Chief Executive Officer*

Given our robust tenant base, 91% of which are comprised of BPOs as of end-2021, FILRT's buildings will continue to attract locators for several reasons, including superior workforce accessibility, competitive lease rates, ease of expansion within the location, heightened health and safety standards that adhere to strict government protocols, and Grade A-quality PEZA buildings with green and sustainable features. These are factors that are essential to our tenants and critical during this period of economic recovery post-pandemic.

The road ahead

Contractual escalation terms are built into about 90% of our leases, averaging 5% per annum rental escalation overall. Thus, we expect our portfolio to further benefit from intrinsic and organic growth as the economy bounces back and building occupancy improves.

We are also banking on our robust inorganic growth potential through the right of first refusal (ROFR) that sponsor Filinvest Land Inc. (FLI) has granted to FILRT. This covers all significant commercial properties owned by FLI and its wholly owned subsidiaries. FLI has about 315,000 square meters of office gross GLA in key CBDs that are potential acquisitions for FILRT.

As our sponsor, FLI is fully committed to grow FILRT's portfolio with regular asset infusions. In our three-year investment plan submitted to the Philippine Stock Exchange and the SEC in December 2021, FILRT's fund management company signified that it will sustain the portfolio expansion and provide a stable and competitive return to investors, with focus on dividend yield protection.

To date, a pipeline of possible commercial projects has been identified for potential asset infusion, as announced by FLI. There are two office buildings with almost 70,000 square meters in GLA that may potentially be added in 2022. Other asset classes may also be added to the REIT once they meet the investment criteria.

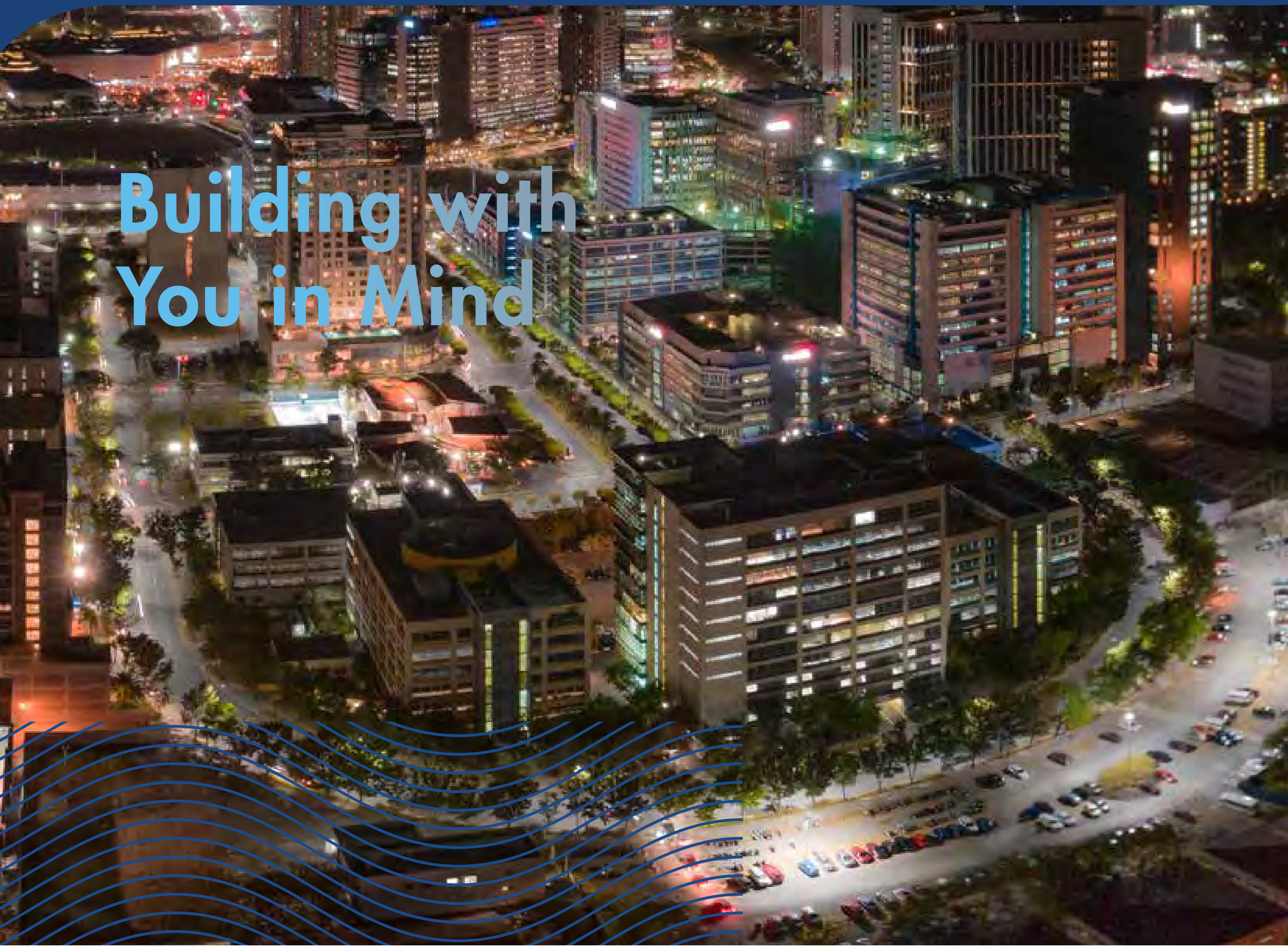
Assisting us in scaling our portfolio are our fund and property management companies, FREIT Fund Managers, Inc. and ProOffice Work Services, Inc. Both are strongly aligned with our aspirations to continuously grow the Company. We are cognizant that any asset infusion will add to the liquidity and size of FILRT going forward. This meets our goal of allowing the wider capital market to participate in the new and growing Philippine commercial REIT sector.

We would like to thank our shareholders, creditors and customers for their continued trust and confidence. Our appreciation also goes to our fellow Board of Directors for their guidance and support, and the people behind FILRT for their tireless efforts to build FILRT to where it is today. Together we will endeavor to provide stable returns, expand the portfolio, and deliver the value we have committed to you, our valued shareholders.

Thank you.

Lourdes Josephine Gotianun - Yap
Chairperson

Maricel Brion-Lirio
President and Chief Executive Officer



Building with You in Mind

Portfolio

FILRT's portfolio consists of 17 Grade A office buildings with over 300,000 square meters of gross leasable area (GLA). Sixteen of the 17 buildings are in Northgate Cyberzone in Filinvest City in Alabang, Metro Manila, a Philippine Economic Zone Authority (PEZA) Special Economic Zone and IT park. Another building is located in the gateway of Cebu IT Park in Lahug, Cebu City. The assets were valued by an independent appraisal company at ₱48.5 billion.

Geographically, the portfolio is strongly focused on Metro Manila, in particular, the Alabang Central Business District (CBD) where Filinvest is the market leader with almost half of the market share. Alabang is a strong CBD market that has seen higher rental rate growth than Makati City and Metro Manila over the last 10 years.

Filinvest City is an integrated township with excellent connectivity to major CBDs and neighboring regions such as CALABARZON. The township features superior accessibility with five major thoroughfares such as the Skyway, South Luzon Expressway, and Alabang-Zapote Road, as well as one of South Metro Manila's largest multi-modal transport hubs.

The portfolio is leased primarily to BPO office tenants which contribute 91% of occupied GLA. Traditional office tenants take up another 8%, and the small remainder is leased to online gaming operators and retail tenants. The top 10 tenants in the portfolio account for about 60% of the GLA.

Given the tenant base of predominantly BPOs, the portfolio offers the following attributes important to the locators: 1) superior workforce accessibility; 2) competitive rates, and; 3) ease of expansion within the location, being situated in PEZA-registered IT Parks.

The portfolio had an average occupancy of 89% and a weighted average lease expiry (WALE) of 3.7 years as of end-2021, with well-spread out lease expiries. A bulk of the leases or 39% have yet to expire in 2025 and beyond.

The assets are on land held on leasehold basis, with long lease terms of 75 years for the Metro Manila assets leased from Sponsor Filinvest Land, Inc. (FLI).

Financial Performance

FILRT reported a net income of ₱1.9 billion in 2021. This was achieved on the back of rental and other revenues that reached ₱3.4 billion and a gain on derecognition of lease liabilities of ₱189 million.

Dividends

Following its strong performance, FILRT distributed three quarterly cash dividends — in September and December 2021, and in March 2022 — totaling ₱0.336 per share. This is equivalent to an annualized dividend yield of 6.4% which is higher than benchmark rates and better than the 6.3% dividend yield it projected for 2021 in its REIT Plan and based on its initial public offering (IPO) price of ₱7.00 per share.

Growth Prospects

FLI is fully committed to grow the REIT portfolio with regular asset infusions. In its three-year investment plan submitted to regulators in December 2021, FILRT's fund management company signified it will constantly endeavor to expand the portfolio and provide a stable and competitive return to investors, with focus on dividend yield protection.

A pipeline of possible commercial projects has been identified for potential asset infusion as announced by FLI. There are two office buildings totaling almost 70,000 square meters of GLA that may potentially be added within 2022.

Part of FILRT's investment policy is to invest in properties that have sustainability features to align with FILRT's differentiation as a "green" or sustainability-themed REIT. Its current portfolio includes two LEED Gold-certified office buildings and 16 buildings located in Filinvest City in Alabang, the first central business district in the country and the largest in Southeast Asia to receive Gold Certification from LEED® v4 for Neighborhood Development Plan. The buildings are cooled by the country's largest district cooling system that reduces carbon emissions and energy consumption.

BOARD OF DIRECTORS

1. **Lourdes Josephine Gotianun-Yap**
   Chairperson
2. **Maricel Brion-Lirio**
   Director, President and Chief Executive Officer
3. **Francis Nathaniel C. Gotianun**
   Director

4. **Tristaneil D. Las Marias**
Director

5. **Virginia T. Obcena**
Independent Director

6. **Gemilo J. San Pedro**
Independent Director

7. **Val Antonio B. Suarez**
Independent Director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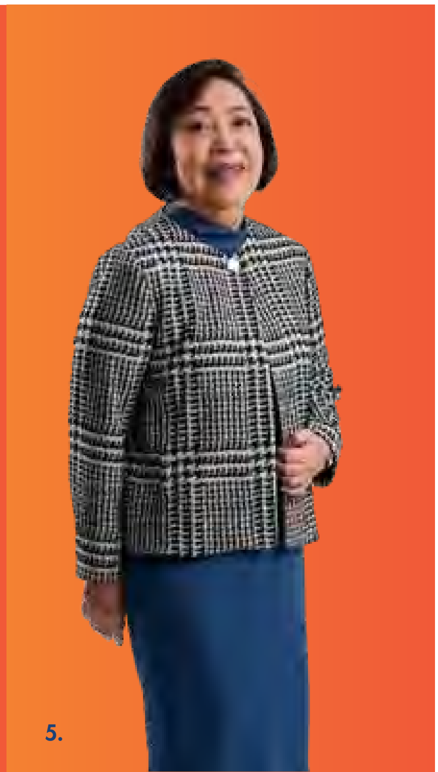

5.


6.


7.

MANAGEMENT TEAM

L-R

Maricel Brion-Lirio
President and Chief Executive Officer

Ana Venus A. Mejia
Treasurer and Chief Finance Officer

Raymond Wilfred L. Castañeda
Data Protection Officer

L-R

Patricia Carmen D. Pineda
Investor Relations Officer

Katrina O. Clemente-Lua
Assistant Corporate Secretary and
Corporate Information Officer

Maria Victoria Reyes-Beltran
Compliance Officer

BUSINESS MODEL WITH EXTERNAL ENVIRONMENT & OUTLOOK

Filinvest REIT Corp. (FILRT) is the platform for the Filinvest group's commercial assets with FILRT shareholders as its valued business partners. FILRT is part of a capital recycling strategy and the engine that will fuel the continued growth of the initial investment portfolio.

Having listed FILRT on August 12, 2021 with an asset size of P48.5 billion, FILRT's key objective is to expand the portfolio and provide a competitive return to investors, with focus on dividend yield protection. Its actions are driven by a given set of objectives.

Investment Objectives

1. **Drive organic growth through proactive asset management and enhancement.** This involves active asset management strategies with focus on customer experience to propel stable annual escalation of rental rates and sustain high occupancy levels.
2. **Leverage on economies of scale and sustainability features of properties to drive profitability.** The campus-type developments with well thought of integration of sustainability features are believed to be cost efficient for FILRT and its locators.
3. **Pursue inorganic growth through well-planned and timed asset infusions.** The strategy is to acquire high-quality commercial properties that are dividend yield accretive to the existing portfolio. Potential assets for acquisition may come from the Filinvest group's commercial assets as well as third parties.
4. **Prudent and focused management of capital and risk.** FILRT may access the capital markets for debt, equity, hybrid or other forms of capital, and utilize hedging instruments in order to manage the financial risk exposures. FILRT has successfully accessed the retail bond market in the past and is expected to continue to use leverage in growing its leasing portfolio.

Investment Criteria

A core tenet of FILRT's investment policy is to invest in income-generating real estate properties that meet the following investment criteria:

1. Located in key CBDs in Metro Manila and major regional hubs or key cities in the Philippines
2. Be primarily Grade A commercial property but may be another type of real estate property, including retail, residential, leisure or industrial
3. With an office tenant mix of primarily Business Process Outsourcing, regional office headquarters and other traditional locators with stable occupancy
4. Has potential for asset enhancement and with sustainability features and certifications from widely used international green building rating systems in the world such as, but not limited to, LEED, WELL or EDGE
5. Long term lease agreements with stable income of at least three years for office assets and corresponding industry standard term for non-office assets.

EXTERNAL ENVIRONMENT AND EMERGING TRENDS THAT COULD AFFECT THE REIT SPACE

Less mobility restrictions after the COVID-19 pandemic

The announcement in February 2022 of Alert Level 1 status in most of the Philippines resulted in companies instructing its employees to start coming back to the workplace. This move can potentially increase the demand for leased office spaces, if not maintain the pre-pandemic demand. The imposition of health guidelines such as social distancing and mask wearing is likely to be sustained beyond the tapering of COVID-19 cases. This will necessitate the reconfiguration of office spaces to provide physical distance between workers and increase the required space per individual. The opening of the country's borders to international travelers may lead to the return of POGO operators and demand for office spaces.

Geopolitical events affecting national economies

The recent outbreak of war in Europe has led to Western democracies imposing sanctions on Russia which resulted in the shortage of oil and natural products in the global market, causing massive price increases in fuel around the world, including the Philippines. This may cause a short- or medium-term economic contraction, depending on the duration of the war in Ukraine, and may evolve into a global recession and affect the locators occupying REIT spaces. The war also has given rise to discussions on the possible decline of globalization trends. Multinational companies may choose to bring back their critical roles and functions closer to home. However, the interplay of factors such as managing risk versus lesser operating costs in developing countries has yet to be seen.

The inertia of 'Work From Home'

The abnormal rise in fuel prices, combined with the fear of worsening traffic as people report back to work, has led to calls from various sectors to restore the Work From Home or hybrid policies which could reduce the current need for floor spaces. There also has been a rise in the incidence of millennials opting to leave their current jobs when told to go back to work and preferring to keep flexible work hours and work locations.

Philippine economic recovery

According to projections of the Asian Development Bank, the Philippine economy is poised to grow by at least 6% in 2022 and 2023, higher than the estimates for other Southeast Asian countries. The relaxation of border restrictions is seen to boost tourism and employment in the service sector. However, the outcome of the May 2022 elections along with geopolitical tensions are factors that may lead to the recalibration of this forecast. Nonetheless, the fundamentals of the Philippine economy is intact and the optimism of the business sector remain high as the world recovers from the challenges of the COVID-19 pandemic.

VALUE CREATION

Our Capitals	Business Model/Process	Outputs and Outcomes	Contributions to UN SDGs
Financial Capital • Market Capitalization (as of December 31, 2021): **₱36.2 billion** • Loans: **₱6.0 billion** Property valuation (as of March 31, 2021): **₱48.5 billion**	FILRT's business model focuses on a long-term growth strategy, incorporating risk management, sustainability and a prudent capital management approach, intended to yield stable revenues and dividends for shareholders. Adoption of the following investment criteria for the evaluation of properties for inclusion in the portfolio: • Grade A buildings in central business districts • High-value locations • Three-year operating history with stable occupancy rates • Incorporation of Green Building principles in the design and operations of properties	Steady portfolio growth with stable recurring income and dividends • Revenues • Net Income • Distributable Income • Loan-to-Value Ratio	8 DECENT WORK AND ECONOMIC GROWTH
Manufactured and Intellectual Capital • Properties under FILRT » 16 Grade A properties in Filinvest City, Alabang, Muntinlupa City » One Grade A property in Cebu • Filinvest's institutional knowledge and experience of more than 50 years in property development and management		Property assets in strategic locations in Muntinlupa and Cebu • Gross leasable office space of 299,158 sq.m. • Gross leasable retail space of 2,204 sq.m. • Average land lease tenure of 74.3 years (as of December 31, 2021) • Multinational blue-chip BPO and Regional Operating Headquarters • 89% average occupancy in 2021 • 90% contract renewal rate in 2021 • Average lease duration of five years	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES

Our Capitals	Business Model/Process	Outputs and Outcomes	Contributions to UN SDGs
Natural Capital • High-value properties in strategic locations where natural resources need to sustain operations are available and adequate • LEED v4 Gold Certification for Neighborhood Development Plan for Filinvest City (location of 16 buildings), and 2 LEED Gold certified developments (buildings)	FILRT's business model focuses on a long-term growth strategy, incorporating risk management, sustainability and a prudent capital management approach, intended to yield stable revenues and dividends for shareholders. Adoption of the following investment criteria for the evaluation of properties for inclusion in the portfolio: • Grade A buildings in central business districts • High-value locations • Three-year operating history with stable occupancy rates • Incorporation of Green Building principles in the design and operations of properties	Green building designs that minimize resource use Responsible housekeeping which results in resource and energy efficiencies, reduced wastes, and compliance with environmental laws • Over 4,900 trees and seedlings planted • Filinvest City 360 Eco-Loop, an e-transport system; and 2.2 km of pedestrian and bike paths, with multi-modal transport hub to connect with the rest of the metropolis • Green spaces with linear parks, river park, and water garden occupying more than 30% of the total development • Reduced energy consumption versus baselines (BAU) due to incorporation of decentralized cooling system, the largest in the Philippines, potentially reducing power consumption by as much as 40% and 11,500 tons of CO_2 emissions avoided. • Compliance with all environmental permits and reportorial requirements. No environmental notice of violation or penalties in 2021.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND
Human Capital • Filinvest's strong and experienced cross-functional team of property development and property management professionals • Competent manpower from Filinvest's Supply Chain		Jobs generated and assured health and safety during the pandemic • 48 seconded talents of Filinvest Group involved with FILRT operations • 53% females in the seconded workforce • Engaged 10 service providers for outsourced services, with 767 indirect jobs provided • All locators in the FILRT properties were able to operate under a mix of work-from-home and work-from-office arrangements. No locator closed shop in 2021. • Filinvest's seconded personnel vaccinated against COVID-19.	8 DECENT WORK AND ECONOMIC GROWTH 5 GENDER EQUALITY 3 GOOD HEALTH AND WELL-BEING
Relationship • The Sponsor's trusted Filinvest brand has been a contributor to the growth of the nation and its economy for more than 30 years, helping build the dreams of millions of Filipinos. • PEZA accreditation of all properties in the portfolio		Opportunity for the public to invest in high-value properties that have recurring returns and stable growth • Participation of almost 8,300 retail investors during the IPO • Increase in stock price from IPO on August 12, 2021 (₱7.00 per share) to end of 2021 (₱7.40 per share), leading to growth in market capitalization from IPO (₱34.2 billion) to end of 2021 (₱36.2 billion)	8 DECENT WORK AND ECONOMIC GROWTH

MATERIALITY AND SCOPE

These are the material topics identified by FILRT Sponsor, Filinvest Land, Inc. (FLI), during a materiality assessment exercise in 2019 to establish the link between its business performance with economic, environment, social, and governance (EESG) issues. COVID-19 and mobility were added subsequently

EESG Aspect	Material Topics
Economic	• Jobs generated/maintained • Support to businesses and tenants • Financial liquidity
Social	• Occupational health and safety • COVID-19 related health and mobility • Talent development and engagement • Onsite transport options
Environment	• Environmental compliance • Resource efficiency • Energy efficiency, renewable energy, and climate change mitigation • Waste management • Green Buildings and Neighborhoods, and climate change adaptation
Governance	• Good governance structure • Government policy and regulatory compliance • Disclosure transparency

As FILRT's business model involves commercial space leasing, there are some material topics identified by FLI that are not material to FILRT operations. These are the following:

- FILRT does not have direct employees but engages seconded talents from FLI, Filinvest Development Corp. (FDC), and other subsidiaries within the Filinvest group for leadership, management, and day-to-day operations. Property management and fund management are performed by different entities (ProOffice Work Services, Inc. and FREIT Fund Managers, Inc.). Discussions on human capital are thus captured in the sustainability reports of FLI and FDC.

- FILRT does not undertake development and construction of new buildings, but only leases and manages existing properties.

- Property management of one of the buildings in FILRT's portfolio, Capital One, is not directly under any of Filinvest's subsidiaries, unlike the other 16 buildings. FILRT merely serves as a lessor.

- FILRT will conduct a formal materiality assessment in 2022 aligned with the development of a sustainability agenda that is supportive of the strategic thrusts of the business and responsive to both internal and external EESG concerns. This will also be the core basis of EESG target setting and reporting in the future.

Stakeholder Engagement

Being primarily in the business of leasing, particularly office space, FILRT deals with limited stakeholder groups. Nevertheless, it keeps track of all concerns and employs multiple channels to address such concerns and attain common objectives.

Stakeholders	Concerns	Engagement Channels and Response
Seconded employees from Filinvest Group	• Occupational health and Safety • Training and development • Workload • Employee engagement	• COVID-19 protocols and vaccination program • Email communications, bulletins, and town hall meetings • Online administrative tools • Trainings using online methods
Clients/Tenants	• Personnel health and safety • Staff mobility during the COVID-19 pandemic • Support to businesses during pandemic • EESG performance	• Building protocols on COVID-19 • Hygiene and sanitation provisions in office spaces • Compliance with IATF regulations and directives • Disclosures on the environmental performance of building operations
Investors and Lenders	• Financial liquidity/ sustainability • Disclosure transparency • Good governance • EESG performance	• Timely and transparent disclosures • Press releases, FILRT website, one-on-one meetings, and investor conferences • Publication of Annual Report and Sustainability Report • Development of a sustainability framework and EESG data system
Supply Chain and Service Providers	• Supplier accreditation • Jobs maintained • Occupational health and safety	• Centralized supply chain management • COVID-19 protocols • Continuous support to supply chain due to pandemic disruptions, including FilVax vaccination program
Government Agencies	• Government incentives • Compliance • Good governance	• Sustaining PEZA accreditation • Timely regulatory filings and permit renewals • Independent board members appointed to critical governance roles • Participation in public consultations on proposed regulations
Environment	• Compliance • Energy efficiency • Waste management • Green spaces • Green Design and Resiliency • Climate Change mitigation	• Consistent compliance with all environmental regulations, including wastewater effluents, hazardous wastes and air emissions • District cooling system (DCS) • E-Jeepneys and pedestrian paths • Building LEED-certifications and green design of assets

Building Smart and Green

FILRT's growth strategy is largely anchored on having a pipeline of high-value and environment-friendly assets that attract tenants who share Filinvest's journey towards a future in real estate where environmental sustainability is embedded in the design of spaces and daily operations.

FILRT's assets in Alabang are located in a master-planned community which has a LEED Certification for Neighborhood Development. Two of the properties — Axis Tower One and Vector Three — are LEED Gold certified. These buildings are designed to be more energy efficient by at least 10% compared to conventional buildings. They feature highly efficient façade glazing, efficient HVAC equipment and LED lighting, and with energy recovery ventilators that provide cooled fresh air to lower the power load of the air-conditioning equipment of the building. Building designs also specified low-flow plumbing fixtures which help lower water consumption by as much as 30% when combined with treated effluent reuse.

District Cooling System

Another distinct feature of the FILRT properties is the District Cooling System (DCS) which supplies chilled water for the buildings' air-conditioning systems, potentially reducing the collective electricity consumption by as much as 40%. This was implemented through a partnership between Filinvest and French multinational utility company ENGIE. In 2021, variable frequency drives were installed in 50% of chilled water pumps, boosters, transfer pumps, and pressurization blowers to provide enough power to the equipment to address real-time demand from users.

Lighting

FILRT is also switching from CFL to LED lighting systems on all its properties. As of end-2021, 90% of the light fixtures in the common areas of FILRT buildings have been replaced with LED, with only two buildings remaining for full conversion.

Mobility

All FILRT properties have bicycle parking facilities to help reduce the use of motorized vehicles and encourage greener modes of transport. Wide sidewalks and paths are provided to ensure pedestrian safety and promote mobility. Electric jeepneys, which run on electric energy and are operated by a jeepney drivers' cooperative, ply the streets of the neighborhood to offer low-carbon transport for the commuting public. FILRT and Sponsor FLI continue to collaborate with government planners in the development of a transport infrastructure that integrates with the national and city master plans.

Energy

FILRT's energy management approach revolves around two key focus areas: energy efficiency and using renewable energy whenever economically feasible.

The Company follows best practices in green building design and operations, including equipment retrofits, to achieve energy efficiency. It also specifies the use of 100% renewable energy (RE) in the Open Access contracts of some of its buildings. Since 2017, several buildings that eventually formed part of the FILRT portfolio became contestable under the Open Access scheme and have entered into supply contracts with FDC Retail Electricity Sales Corp. (FDC RES). Of these buildings, six derive energy from 100% RE sources, accounting for 26.5% of FILREIT's current total energy consumption.

Another distinct feature of the FILRT properties is the District Cooling System (DCS) which supplies chilled water for the buildings' air-conditioning systems, potentially reducing the collective electricity consumption by as much as 40%.

Total Energy Consumption

Energy by Fuel Type	2021	2020
Gasoline (liters)	0	0
LPG (liters)	0	0
Diesel (liters)	123,980	44,948
Electricity – FDC RES with 100% RE sources (KWH)	3,836,340	5,754,576
Electricity – Meralco + FDC RES (KWH)	10,652,456	12,802,055
Total Electricity (KWH)	14,488,796	18,556,631

The data presented cover only the electric consumption of common areas.

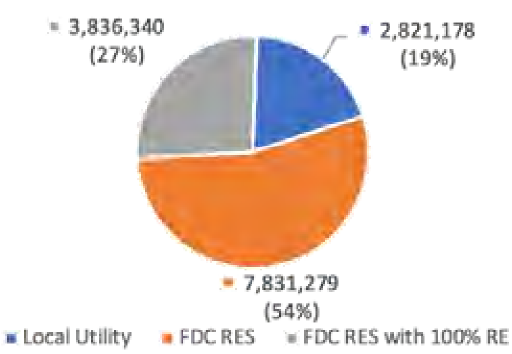
All FILRT buildings consume diesel on a recurring basis for regular testing and preventive maintenance work on generator sets (gensets) for emergency use. The spike in diesel consumption in 2021 was due to the continuous deployment of the emergency gensets of the Filinvest Cyberzone Cebu Tower One after the onslaught of Super Typhoon Odette (international name: Rai) on December 11, 2021 which resulted in a massive power outage in the island of Cebu for several weeks. Taking out the impact of this one-time event, the diesel consumption rate of FILRT would have been 2.8% year-on-year. The building did not have any downtime.

Electricity consumption in 2021 decreased by 21.9% due to mobility restrictions during the pandemic, which prompted some locators to adopt work-from-home arrangements for part of their employee pool. Lower electricity use was also because of the decline in physical occupancy in four buildings.

FILRT Buildings	Electricity Source	KWH and % of total consumption in 2021
Filinvest 3, Plazas B, C, D and E, and 5132	Local Utility	2,821,178 (19.5%)
Filinvest Cyber Cebu Tower 1, Axis Tower 1, Filinvest 2 and Vector 3	FDC RES	7,831,279 (54.0%)
Plaza A, iHub 1, iHub 2, Vector 1 and 2, and Filinvest 1	FDC RES with 100% RE	3,836,340 (26.5%)

Note that one of the 17 buildings (Capital One) is not under the direct operational supervision of FILRT's property management team.

Electricity Consumption by Source (in KWH)



Greenhouse Gas Emissions

GHG Emission Type (in tons CO2-eq)	2021	2020
Scope 1*	335	121
Scope 2**	7,587	9,118
Scope 3***	7,793	8,839
Total	15,715	18,078

**For Scope 1, the diesel emission factor is 2.706 kg CO2 per liter (from 2021 US EPA & GHG Protocol updates).*
***For Scope 2, electricity emission factor used was for the Luzon-Visayas electricity grid at 0.7122 tons CO2-eq per MWH; this applies to electricity bought from Meralco and FDC RES. Six properties under FDCR RES have a 100% RE source.*
****Scope 3 is the emission due to the DCS' indirect emissions from bought electricity attributable to FILRT's demand for chilled water. DCS electricity consumption attributed to FILRT buildings was 10,942,435 KWH in 2021 and 12,410,690 KWH in 2020, sourced from FDC RES.*

The greenhouse gas emissions of FILRT properties were largely attributed to Scope 1 emissions from the burning of diesel onsite for genset maintenance and operations. Scope 2 emissions were due to the purchase of electricity used in common areas while Scope 3 emissions were due to the refrigeration services provided by the DCS.

The significant increase in Scope 1 GHG emissions was due to the one-time use of diesel for Filinvest Cyberzone Cebu Tower One for several days due to the massive power outage caused by Super Typhoon Odette in December 2021.

Six buildings (iHub 1 & 2, Vector 1 & 2, Filinvest One and Plaza A) sourcing from FDCRES with 100% renewables do not contribute to Scope 2 emissions. The total avoided carbon emissions of these buildings amounted to 2,732 tons in 2021. Six other buildings source from a FDC RES contract and the rest buy electricity directly from the local distribution utility. FILRT is assessing if the non-RE covered buildings can avail of the 100% RE source or be considered as contestable or eligible for Open Access.

Since the DCS is a third party that provides services to various buildings, the electricity consumption required to produce chilled water is considered Scope 3 from the perspective of FILRT. Other Scope 3 emissions are continually being assessed for breaching materiality limits. The electricity used by e-jeepneys plying in Filinvest City are not eligible for Scope 3 as their services are rendered directly to the commuting public.

From 2020 to 2021, there was a 13% decrease in FILRT's total GHG emissions, largely driven by the lower physical occupancy of the buildings during the pandemic-induced intermittent lockdowns.

Water, Wastewater and Effluent Reuse

FILRT currently sources water for a majority of its buildings portfolio from the public water utility of Metro Manila's west zone, which sources raw water from sustainable surface water bodies. The sole FILRT building located in Cebu gets water from the local water utility, which uses mostly groundwater. Around 10% comes from a surface water source north of Cebu.

All wastewater generated in FILRT properties in Alabang are collected and conveyed to the Filinvest City sewage treatment facility for full treatment. The facility consistently complies with the latest effluent standards of the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB). The Cebu property also has its own sewage treatment facility that discharges effluent into a creek which empties into the Mactan Channel.

The treated effluent of the Filinvest City sewage treatment plant is discharged to the Alabang-Cupang (Mangangate) River which empties into the western bay of Laguna Lake. Part of the treated effluent is reused for landscape irrigation around the FILRT properties and Filinvest City.

Water Consumption, Wastewater Generation and Reuse

	2021	2020
Water used – common and leased areas (m3)	262,424	334,330
Wastewater generated and treated* (m3)	228,309	290,867
Treated wastewater reused** (m3)	9,074	14,722

**Total effluent generated under FILRT was based on a return factor versus water consumed of 87%, using the Filinvest Cyberzone Cebu's operations as reference.*
***In 2021, the Filinvest City sewage works collected and treated 972,704 m3 of wastewater, and reused 38,658 m3 of treated effluent for landscape irrigation. Of these, 23.5% is attributable to FILRT. In 2020, FC STP treated 1,305,995 m3 and reused 66,101 m3.*

The mobility restrictions and government-mandated reduction in physical occupancy of office spaces forced FILRT's clients to reduce the number of their employees required to report onsite, resulting in the reduction of water consumption and sewage generation in 2021.

Solid Waste and Hazardous Wastes

The municipal solid wastes generated in FILRT properties come from typical office operations, e.g., waste office supplies mainly paper, packaging, and food waste. Non-hazardous wastes from operations for the common areas consist mainly of yard waste from landscaping.

All FILRT buildings have their own materials recovery facility and solid waste segregation is implemented. A third-party contractor is engaged for proper waste disposal.

Hazardous wastes generated are busted fluorescent lamps (BFL), used battery, used oil from gensets and waste electronic equipment. With the full conversion to LED lighting, the generation of BFLs will be reduced to zero in the future. Hazardous wastes are generally stored no more than six months in designated onsite facilities. However, the mobility restrictions in 2021 affected the operations of hazardous waste service providers. As such, stored materials will be hauled out and treated when operational restrictions ease.

Municipal Solid Waste (non-hazardous)

Solid Wastes Generated (kg)	2021	2020
Reusable	0	0
Recyclable	117	no data
Composted	0	0
Incinerated	0	0
Residuals/Landfilled (tons)	838	1,151
Total MSW		

Hazardous Waste

Solid Wastes Generated (kg)	2021	2020
Total hazardous waste* generated (kg)	477	no data
Total hazardous waste transported	0	no data

ENVIRONMENT

Environmental Compliance

All FILRT properties have secured the necessary one-time permits such as the Environmental Compliance Certificate and Laguna Lake Development Authority (LLDA) Clearance, as well as permits which require semi-annual renewal. Mandatory quarterly and semi-annual self-monitoring reports are submitted to both the DENR-EMB and LLDA regulators.

There were no Notices of Violations issued by the regulator in 2021 nor were there any regulatory disputes and penalties. An amended (relaxed) effluent standard was issued by the regulator. The wastewater treatment facility that serves the FILRT properties continues to comply with the effluent limits.

To proactively manage compliance risk, FILRT's property management team, along with environmental managers across the Filinvest Group, are active in the development of national and regional policies and regulations by participating in public consultations and sharing common policy advocacies and best practices with industry peers.

	2021	2020
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	0
Number of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	0
Number of cases awaiting resolution	0	0
Number of cases resolved through a dispute resolution mechanism	0	0

Mobility Options for the Commuting Public

All FILRT properties have bicycle parking facilities to help reduce the use of motorized vehicles and encourage greener modes of transport. Dedicated bike lanes have also been marked on the streets to help ensure rider safety. Wide sidewalks and paths and well-marked crosswalks are provided to ensure pedestrian safety and encourage mobility.

E-jeepneys, which run on electric energy and are operated by a jeepney drivers' cooperative, ply the streets of the neighborhood to offer low-carbon transport for the commuting public. Prior to the onset of the pandemic, a fleet of 25 e-jeepneys, each with a seating capacity of 13, was operated by an organization of 50 drivers, support staff, supervisors, and manager. Due to people's limited mobility during the pandemic, the fleet was downsized to six large e-jeepneys, each with a seating capacity of 23 as of end-2021. It is expected that the reopening of the economy in early 2022 will restore the pre-pandemic demand for transport within the neighborhood.

FILRT and Sponsor FLI continue to collaborate with government planners in the development of a transport infrastructure that integrates with national and local master plans.

> FILRT continues to be on the lookout for opportunities to further enhance its environmental performance.

Enhancing Environmental Sustainability

Other properties of the Sponsor to be added to FILRT's portfolio will feature environmentally responsible designs which incorporate energy, resource, and water efficiencies in their operations, as well as green spaces and green mobility options that uplift quality of life. The buildings queued for inclusion in the portfolio, such as Axis Tower 2 and Filinvest Cyberzone Cebu Tower 2, are already LEED pre-certified. Sixty-percent of the Axis building cluster in Alabang, which is comprised of four towers, is green space.

FILRT continues to be on the lookout for opportunities to further enhance its environmental performance. These are:

- The full conversion to LED lighting and the 100% installation of variable frequency drives for pumps and motors in its buildings in 2022;
- The shift to renewable energy sources under the Open Access contract with FDC RES once competitive rates from renewables become possible ahead of contract expiration;
- Rainwater harvesting for its Cebu property which is now the subject of a feasibility study it commissioned;
- Upscaling of solid waste management solutions such as reduction and recycling with partners that consider FILRT's wastes as inputs to their production; and
- Revival of its partnership with a non-government organization for recycling used batteries and used oil donated by FILRT.

Building for People

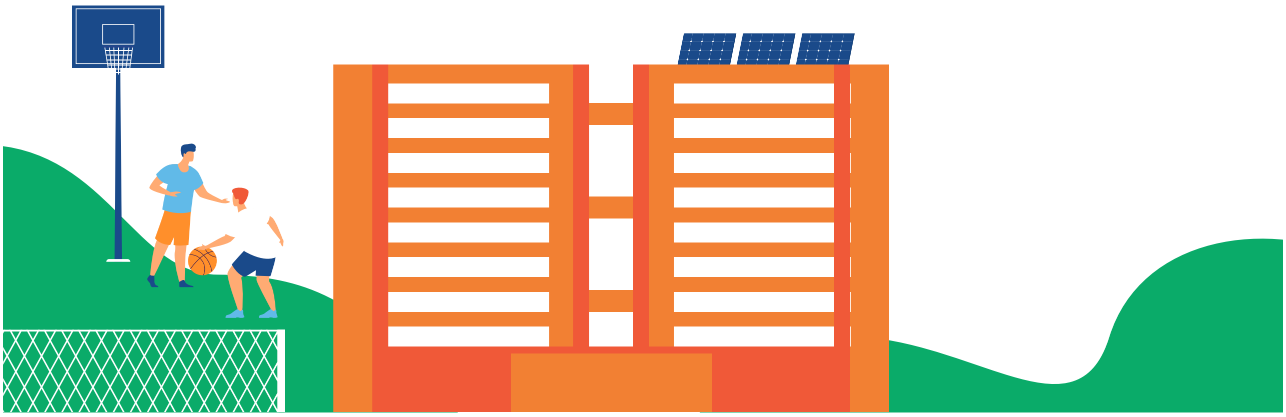
As the COVID-19 pandemic entered its second year in 2021, Filinvest continued to address the health and safety risks to its people, customers, business partners, and the general public through its active participation and investment in the country's vaccination drive. It also provided opportunities for the investing public to partipate in the initial public offering (IPO) of FILRT.

Prioritizing health and safety

In 2021, the Filinvest Group, to which FILRT belongs, sustained its COVID-19 response put in place at the onset of the pandemic in March 2020. Various work arrangements were set up to ensure continued productivity. Skeleton forces were required to work onsite while employees occupying other roles were instructed to work from home with while provided with health and IT support services.

Onsite protocols for sanitation, hygiene, and COVID-19 detection were institutionalized to ensure that employees and tenants of FILRT were adequately protected when they reported for work. FILRT and its tenants complied with the guidelines of the government's Inter-Agency Task Force (IATF).

In 2021, Filinvest mounted an aggressive vaccination drive for its people and supply chain employees. The Filinvest group's free vaccination program, dubbed FilVax, targeted more than 13,000 vaccinated individuals by end-2021. Actual availment rate of 93% surpassed the government's 70% target.



In 2021, the Filinvest Group, to which FILRT belongs, sustained its COVID-19 response put in place at the onset of the pandemic in March 2020.

Promoting diversity

FILRT does not have direct employees. There are 48 talents seconded from the Filinvest group who perform overall management, leasing, financial, and property operations. Of these employees, 56% are female. The leadership team is also composed of women, except for those in the Data Privacy role. The FILRT Board of Directors has three women, including the chairperson.

Filinvest is ranked among the top 10 companies in the world led by women chief executive officers (CEOs) and with the highest percentage of women executive officers.

This is according to the latest report of Corporate Women Directors International (CWDI), a nonprofit organization based in Washington, D.C., USA, which surveyed nearly 3,000 companies in 55 countries to generate baseline data on women in leadership roles.

Seconded Filinvest Employees, by Gender (2021)

	Male	Female
Executive	2	5
Manager	5	5
Supervisor	2	6
Rank and File	12	11
TOTAL	21	27

The training and development for the Filinvest-seconded employees are discussed in the annual reports of FLI and holding company Filinvest Development Corporation.

Filinvest is ranked among the top 10 companies in the world led by women chief executive officers (CEOs) and with the highest percentage of women executive officers.

Generating Economic Opportunities

The Real Estate Investment Trust (REIT) Act of 2009 offers opportunities for small individual investors to take part in investing in large-scale, income-producing commercial real estate without needing to buy real estate. It reduces an individual's overall portfolio risk and offers capital appreciation in the long run. It also provides a steady stream of income due to the requirement that at least 90% of the REIT's distributable income be given as dividends to shareholders.

The availability of REIT investments for the general public, including that of FILRT, and the overwhelming response to publicly listed REITs in a time of pandemic served as a vote of investor confidence in the eventual recovery of the Philippine economy.

During FILRT's IPO, almost 8,300 retail or individual investors participated in the offering. This is equivalent to 26% of the new investor base of FILRT.

Secretary Carlos Dominguez III of the Department of Finance, in a speech during FILRT's IPO listing ceremony, said allowing the average Filipino to invest in REITs contributes to the "broadening base of our financial system towards building a more inclusive economy."

In addition to the direct economic opportunities from investing in FILRT, the Company also generates indirect economic benefits through its strategic partnerships with service contractors who provide housekeeping, grounds maintenance, equipment maintenance, security and property management services.

In 2021, FILRT property management had ongoing 11 service contracts with 10 service providers who had a total of 767 employees. This enabled FILRT to indirectly contribute to providing economic opportunities, especially during the pandemic when there are massive unemployment and job uncertainty.

FEATURE:

FILINVEST SPEARHEADS FILVAX

As soon as COVID-19 ravaged the country affecting families and businesses alike, Filinvest Development Corporation together with its foundations and subsidiaries sprung into action to help the government protect Filipino families all over the country against the virus. The company's response was three-pronged: taking care of the business, our employees, and our community. The Filinvest group weathered the COVID crisis thanks in part to agile decision-making, strategic business continuity plans, well-instituted health and safety protocols, and an accelerated digitalization journey. The company pledged Php 100 Million for the fight against COVID-19 and has gone well beyond the pledged amount through various initiatives designed to help fight COVID-19.

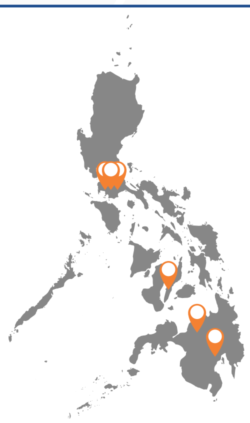
The company welcomed 2021 with a renewed sense of optimism aptly inspired by the rapid development and effective roll-out of vaccines which add a new layer of protection against COVID-19. As the year went by, the Filinvest group remained steadfast in its commitment to helping the country fight the pandemic from providing COVID care kits, free vaccines, to sending medical-grade facemasks to the provinces.

100,000
Vaccine doses procured for FILVAX

2 Million
Facemasks from Temasek Foundation distributed

93%
Employees Vaccinated

27
LGU recipients of facemasks



Filinvest Group's free, nationwide vaccination program FilVax for employees, drivers, messengers, utility workers, sales people, and security guards assigned to FDC properties and workspaces nationwide kicked off last August 4, 2021. Held at the Filinvest Mega Vaccination Center at Festival Mall, Filinvest City, Muntinlupa, the event was led by Filinvest Land, Inc. (FLI) Director Francis Gotianun and EastWest Banking Corporation (EWB) Director Isabelle Gotianun Yap, with Muntinlupa City Mayor Jaime Fresnedi as the guest of honor. Other Filinvest Mega Vaccination Centers across the country such as Clark, Cebu, Misamis, and Davao were also opened during the year.

Cooperation Agreement Signing Ceremony with the Province of Cebu for the donation of 2,000 Oxford-AstraZeneca Vaccine Doses

"We want our customers and business partners to FilFree to come to us and FilSafe to work with us. Our vaccination track record is a strong testament to this commitment."

Francis Gotianun, Director, Filinvest REIT Corporation and Filinvest Land, Inc.

FEATURE:

FILINVEST SPEARHEADS FILVAX

The Filinvest Group kicks off FILVAX #FilFreeFilSafe conglomerate-wide vaccination program with a ribbon cutting ceremony led by guest of honor Muntinlupa City Mayor Jaime Fresnedi, Muntinlupa OIC City Health Officer Dr. Juancho Bunyi together with FLI Director Francis Gotianun, EWB Director Isabelle Gotianun Yap, FLI EVP and Chief Strategy Officer Tristan Las Marias, and FLI SVP and Business Group Head for Mixed-use and Retail Joselito Santos.

The Filinvest Group procured 100,000 Oxford-AstraZeneca vaccine doses through the help of the national government. Part of the doses were donated to communities where businesses of the Filinvest Group operate.

By year-end, a total of 11,348 employees of the Filinvest group have been vaccinated accounting for 93.16% of the Filinvest group's total workforce.

"FilVax's message is to #FilFreeFilSafe. We want to keep our employees, partners, workplaces, and properties safe and healthy for all."

Isabelle Gotianun Yap, Director, EastWest Banking Corporation

Employees of the Filinvest group awaiting their turn to receive the vaccine at the Filinvest Mega Vaccination Center in Filinvest City, Muntinlupa

Distribution of 2 Million Facemasks

Singapore-based Temasek Foundation sent 2 million medical-grade surgical facemasks to the Philippines in support of the country's ongoing fight against COVID-19. Temasek Foundation is the non-profit philanthropic arm of Singapore investment company, Temasek Holdings.

This donation is part of Temasek Foundation's Stay Masked program where they distribute medical grade surgical facemasks for added coverage, protection and assurance. The Stay Masked program is a key component of Stay Prepared, a Temasek Foundation initiative to help prepare communities for emergencies. Temasek Foundation partnered with the Ambassador of the Republic of the Philippines to Singapore, H.E. Joseph del Mar Yap and the Filinvest group and its foundations for its donation to the Philippines.

"The fight against the pandemic is a long one and when like-minded partners work together, we can help our communities to overcome these challenging times. We are grateful to partner with the Filinvest group and the Embassy of the Philippines in Singapore to support the Philippines in tackling COVID-19. This most recent donation of 2 million masks comes on the back of earlier initiatives in the past year, including the donation of essential items and medical equipment. We hope that these will go a long way in helping the community to manage the situation."

Benedict Cheong, Chief Executive, Temasek Foundation International

FEATURE:
FILINVEST SPEARHEADS FILVAX

Quezon City Mayor Joy Belmonte receives surgical facemask donation from Filinvest Land

Misamis Oriental Governor Yevgeny Emano receives surgical facemask donation from FDC Utilities

Filinvest shouldered the shipment and distribution cost of the 2 million facemasks from Singapore to 27 priority cities, municipalities, and provinces nationwide. The facemasks have been donated and received by the local government units of Quezon City, Manila City, Taguig City, Makati City, Pasig City, Muntinlupa City, Davao City, Municipalities of San Nicolas, Villanueva, and Tagoloan in Misamis Oriental, Province of Misamis Oriental, Cagayan de Oro City, Dagupan City, San Jose del Monte City in Bulacan, Municipality of San Mateo in Rizal, Zamboanga City, Balanga City in Bataan, Dumaguete City, Tagaytay City in Cavite, Cebu City, Talisay City, and Lapu-lapu City in Cebu, the Province of Cebu, Municipality of Malay in Aklan, Municipality of Matalam in Cotabato, and Municipality of Hagonoy in Davao del Sur.

Stay Safe COVID-19 Communication Program

To help keep employees safe and healthy against COVID-19, the Filinvest group continued its Stay Safe employee communications program. Stay Safe provided COVID-prevention tips, wellness ideas, as well as news and updates for employees across the conglomerate. With uncertainties and rampant misinformation on COVID variants and the vaccines, Stay Safe educated the employees by using verified, accurately-sourced articles, infographics, and videos.

Community Handwashing Stations

Washing of hands is one of the first defenses against the COVID-19. The Filinvest group provided handwashing facilities for the host communities of FDC Misamis Power Corporation. This aimed to ensure that residents have easy access to handwashing facilities in their respective barangays.

Community Handwashing Stations were installed in Barangays Tambobong and Balacanas in Villanueva and Barangays Mohon, Sta. Ana, Baluarte, and Sta. Cruz in Tagoloan, as well as the Kalingagan National Highschool.

FILRT commits to the principles and best practices in good corporate governance. It has established and updated its Revised Manual for Corporate Governance to ensure its compliance with the leading practices on good corporate governance and related rules and regulations of the Philippine Securities and Exchange Commission (SEC). The first Manual of Corporate Governance was approved and adopted by the Board of Directors on April 11, 2017, while the Revised Manual was adopted on September 30, 2020, and subsequently on March 15, 2022.

Compliance with Best Practices

FILRT complied with the PSE and the SEC regulatory requirements in 2021. It is also in compliance with its Revised Manual, with the following as highlights:

a) Election of three independent directors to the Board;

b) Appointment of the members of the Audit and Risk Management, Compensation, Related Party Transactions, and Corporate Governance Committees;

c) Conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors in these meetings, and their proper discharge of duties and responsibilities;

d) Timely and accurate submission of reports and disclosures to the SEC and the Philippine Stock Exchange (PSE) required under the Real Estate Investment Trust (REIT) Act of 2009 and its Implementing Rules and Regulations (IRR), Securities Regulation Code, and the PSE Listing and Disclosure Rules;

e) FILRT's adherence to national and local laws pertaining to its operations;

f) Observance of applicable accounting standards by FILRT;

g) Conduct of annual corporate governance seminar to its directors and senior management officers; and

h) Continuous enhancement of FILRT's website to provide our shareholders and stakeholders with quicker reference to our corporate governance policies.

The Company continuously reviews and updates its corporate governance manual, in compliance with SEC directives and to reflect current best practices.

To keep abreast of best practices in corporate governance, the members of the Board and key officers participated in the joint Annual Corporate Governance Training Program conducted by SGV & Co. on November 12, 2021.

FILRT, through its Board and in coordination with Management, reviews its corporate governance practices annually and welcomes proposals, especially from institutions and entities such as the SEC, PSE, and the Institute of Corporate Directors.

Board of Directors

Leading the practice of good corporate governance is the Board of Directors. The Board of FILRT is firmly committed to the adoption of and compliance with the best practices in corporate governance, as well as the observance of all relevant laws, regulations, and ethical business practices.

Nominations and Voting for the Board of Directors
The members of the Board are elected during the annual stockholders' meeting. FILRT stockholders may nominate individuals to be members of the Board.

The Corporate Governance Committee, acting as the Nominations Committee, receives nominations for independent directors as may be submitted by the stockholders. After the deadline for the submission, the Corporate Governance Committee meets to evaluate the qualifications, as well as grounds for disqualification, if any, of the nominees based on the criteria set forth in FILRT's Revised Manual on Corporate Governance, the REIT Act and its IRR, and the Securities Regulation Code. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. The Corporate Governance Committee shall then prepare a Final List of Candidates enumerating the nominees who passed the screening. The name of the person or group of persons who recommended the nominees for independent directors shall be disclosed along with their relationship with such nominees.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as independent directors. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the annual meeting.

The conduct of the election of independent directors shall be in accordance with FILRT's Revised Manual and By-Laws.

It shall be the responsibility of the Chairperson of the annual meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. The Chairperson shall ensure that independent directors are elected during the annual meeting. Specific slots for independent directors shall not be filled up by unqualified nominees. In case of failure of election for independent directors, the Chairperson of the meeting shall call a separate election during the same meeting to fill up the vacancy.

A stockholder may vote such number of shares for as many persons as there are directors to be elected. He may cumulate these shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of FILRT multiplied by the whole number of directors to be elected.

The directors of FILRT are elected at the annual stockholders' meeting, to hold office until their respective successors have been duly appointed or elected and qualified. Vacancies in the Board occurring mid-term are filled as provided in the Revised Corporation Code and FILRT's Revised Manual. Officers and committee members are appointed or elected by the Board typically in its first meeting following the annual stockholders' meeting, each to hold office until a successor shall have been duly elected or appointed and qualified.

Independent Directors

Before the annual meeting, a stockholder of FILRT may nominate individuals to be independent directors, taking into account the following guidelines:

A. "Independent director" means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgement in carrying out his responsibilities as director in any corporation that meets the requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:

i. is not, or has not been, a senior officer or employee of the covered Corporation unless there has been a change in the controlling ownership of the Corporation;

ii. is not, and has not been, in the two years immediately preceding the election, a director of the covered Corporation; a director, officer, employee of the covered Corporation's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered Corporation's substantial shareholders and its related companies (except when the same shall be an independent director of any of the foregoing);

iii. has not been appointed in the covered Corporation, its subsidiaries, associates, affiliates or related companies as Chairperson "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two years immediately preceding his election;

iv. is not an owner of more than 2% of the outstanding shares of the covered Corporation, its subsidiaries, associates, affiliates or related companies;

v. is not a relative of a director, officer, or substantial shareholder of the covered Corporation or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;

vi. is not acting as a nominee or representative of any director of the covered Corporation or any of its related companies; e.g., is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal shareholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;

vii. is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered Corporation, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two years immediately preceding the date of his election;

viii. does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered Corporation or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment within the two years immediately preceding the date of his election;

ix. is not affiliated with any non-profit organization that receives significant funding from the covered Corporation or any of its related companies or substantial shareholders; and

x. is not employed as an executive officer of another Corporation where any of the covered Corporation's executives serve as directors.

B. When used in relation to FILRT subject to the requirements above:

i. "Related company" means another company which is: a) its holding company, b) its subsidiary, or c) a subsidiary of its holding company; and

ii. "Substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than 10% of any class of its equity security.

C. An independent director of FILRT shall have the following qualifications:

i. He shall have at least one share of stock of FILRT;

ii. iHe shall be at least a college graduate or he shall have been engaged in or exposed to the business of FILRT for at least five years;

iii. He shall possess integrity/probity; and

iv. He shall be assiduous.

D. He shall likewise be disqualified during his tenure under the following instances or causes:

i. He becomes an officer or employee of FILRT, or no longer qualifies based on the definition of an "Independent Director" indicated above;

ii. His beneficial security ownership exceeds 10% of the outstanding capital stock of FILRT;

iii. He fails, without any justifiable cause, to attend at least 50% of the total number of board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family member; and

iv. He becomes disqualified under any of the grounds stated in FILRT's Revised Manual.

E. Pursuant to SEC Memorandum Circular No. 9, Series of 2011, as amended by SEC Memorandum Circular No. 04, Series of 2017, the following additional guidelines shall be observed in the qualification of individuals to serve as independent directors:

i. There shall be no limit in the number of covered companies that a person may be elected as Independent Director, except in business conglomerates where an ID can be elected to only five companies of the conglomerate, i.e., parent company, subsidiary or affiliate;

ii. The independent director shall serve for a maximum cumulative term of nine years;

iii. After this, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as non-independent director;

iv. In the instance that a company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and

v. The reckoning of the cumulative nine-year term is from 2012.

Members of the Board of Directors, Attendance and Committee Memberships

The table lists down the members of the Board of Directors and their attendance in Board Meetings in 2021.

Directors	Date of First Election	Meetings Attended/Held	% Attendance
L. Josephine Gotianun-Yap *Chairperson*	November 1, 2001	14/14	100
Maricel Brion-Lirio *Director**	February 11, 2021	14/14	100
Tristaneil D. Las Marias *Director*	September 30, 2020	14/14	100
Francis Nathaniel C. Gotianun *Director***	September 30, 2020	6/6	100
Val Antonio B. Suarez *Independent Director*	April 6, 2017	14/14	100
Virginia P. Obcena *Independent Director*	July 17, 2019	14/14	100
Gemilo J. San Pedro *Independent Director***	September 30, 2020	6/6	100

* *First elected as director on February 11, 2021*
** *First elected as Director on September 30, 2020, subject to the approval of the Philippine SEC of the increase of the Company's number of directors. Their appointment as Director of the Company became effective on July 2, 2021.*

The table lists down the attendance of the Board of Directors during the November 18, 2021 Annual Stockholders' Meeting and their memberships in various committees:

Directors	Attended Annual Stockholders' Meeting	Committees
L. Josephine Gotianun-Yap	Yes	Compensation (Member)
Maricel Brion-Lirio	Yes	N/A
Tristaneil D. Las Marias	Yes	N/A
Francis Nathaniel C. Gotianun	Yes	N/A

Directors	Attended Annual Stockholders' Meeting	Committees
Val Antonio B. Suarez *Independent Director*	Yes	Compensation (Chairman) Corporate Governance (Chairman) Audit & Risk Management (Member) Related-Party Transaction (Member)
Virginia P. Obcena *Independent Director*	Yes	Audit & Risk Management (Chairperson) Related-Party Transaction (Chairperson) Compensation (Member) Corporate Governance (Member)
Gemilo J. San Pedro *Independent Director*	Yes	Audit & Risk Management (Member) Corporate Governance (Member) Related-Party Transaction (Member)

Duties and Responsibilities of Board Committees

Audit and Risk Management Committee

The Board constituted an Audit and Risk Management Committee composed of at least three non-executive director-members with accounting and financial background, the majority of whom should be independent directors, including the Chairperson. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

The Audit and Risk Management Committee shall have the following duties and responsibilities:

Internal Audit

a. Recommend the approval of the Internal Audit (IA) Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversees the implementation of the IA Charter;

b. Through the IA Department, monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets;

c. Oversee the IA Department, and recommend the appointment and removal of an IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable;

d. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;

e. Monitor the management's responsiveness to the Internal Auditor's findings and recommendations;

f. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;

g. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid and the corporation's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his/her independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;

h. Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
   - Any change/s in accounting policies and practices
   - Areas where a significant amount of judgment has been exercised
   - Significant adjustments resulting from the audit
   - Going concern assumptions
   - Compliance with accounting standards
   - Compliance with tax, legal and regulatory requirements

i. Review the recommendation in the External Auditor's management letter;

j. Establish standard for the selection of and assess the integrity and independence of the External Auditor, as well as review and monitor the External Auditor's suitability and effectiveness on an annual basis;

k. Perform oversight functions over the corporation's Internal and External Auditors and ensure their integrity and independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;

l. Coordinate, monitor and facilitate compliance with laws, rules and regulations;

m. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders;

n. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa);

o. In case of the absence of a Related Party Transactions (RPTs) Committee, evaluate all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied; and

p. Meet internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meet with the head of the IA.

Risk Management

a. Develop a formal Enterprise Risk Management (ERM) plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals and objectives, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

b. Oversee the implementation of the ERM plan. The committee conducts regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;

c. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. The committee should revisit defined risk management strategies, looks for emerging or changing material exposures, and keeps abreast of significant developments that seriously impact the likelihood of harm or loss;

d. Advise the Board on its risk appetite levels and risk tolerance limits;

e. Review at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and major events which may have occurred in the Corporation;

f. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;

g. Oversee the management's activities in managing credit, market, liquidity, operational, legal, and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from management; and

h. Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

Compensation Committee

The Board constituted a Compensation Committee composed of at least three director-members, one of whom must be an independent director.

Duties and Responsibilities:

a. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment;

b. Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully;

c. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers;

d. Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which, among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;

e. Disallow any director to decide his or her own remuneration;

f. Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and ensuing year; and

g. Review the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

Corporate Governance Committee

The Corporate Governance Committee shall assist the Board in fulfilling its corporate governance and compliance responsibilities. The Committee shall be composed of at least three director-members, majority of whom shall be independent directors, including the Chairperson.

Duties and responsibilities:

a. Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity of operations and business strategy, as well as its business and regulatory environments;

b. Oversee the periodic performance evaluation of the Board and its committees as well as the executive management, and conduct an annual evaluation of the said performance;

c. Ensure that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;

d. Recommend the continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;

e. Adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;

f. Propose and plan relevant trainings for the members of the Board;

g. Act as nomination committee and determines the nomination and election process for the Corporation's directors and defines the general profile of board members that the Corporation may need, and ensure that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election;

h. Establish a formal and transparent procedure for determining the remuneration of directors and officers that is consistent with the corporation's culture and business strategy as well as the business environment in which it operates; and

i. Review and evaluate the qualifications of all persons nominated to the Board, as well as those nominated to other positions requiring appointment by the Board and provide an assessment on the Board's effectiveness in directing the process of renewing and replacing the Board's members.

The Corporate Governance Committee shall also serve as the Nominations Committee. It shall review and evaluate the qualifications of all persons nominated to the board as well as those nominated to other positions requiring appointment by the Board and assess the effectiveness of the Board's process and procedures in the election or replacement of directors.

Related Party Transactions Committee

The Related Party Transactions (RPT) Committee is composed of at least three non-executive directors, two of whom must be independent, including the Chairperson of the Committee.

The Committee has the following duties and responsibilities:

- Conduct continuous evaluation and monitoring of existing relations among counterparties to ensure that all related parties are identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and the SEC; and
- Evaluate all material RPTs to ensure that these are transacted on an arm's length basis and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

In evaluating RPTs, the Committee may take into account:

- The related party's relationship to the Company and interest in the transaction;
- The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- The benefits to the Company of the proposed RPT;
- The availability of other sources of comparable products or services;
- An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;

- Ensure that appropriate disclosure is made to the regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest;
- Report to the Board, on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- Ensure that transactions with related parties, including write-off of exposures, are subject to a periodic independent review or audit process; and
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

2021 Board of Directors Attendance in Committee Meetings

Board Committees and Members	Date of Appointment	Meetings Attended/ Held	% Attendance	Length of Service in the Committee*
Audit and Risk Management Committee				
Virginia T. Obcena *Chairperson, Independent Director*	November 18, 2001	1/1	100	1 year
Gemilo J. San Pedro *Independent Director*	November 18, 2001	1/1	100	1 year
Val Antonio B. Suarez *Independent Director*	November 18, 2001	1/1	100	1 year
Compensation Committee				
Val Antonio B. Suarez *Chairman, Independent Director*	November 18, 2001	1/1	100	1 year
L. Josephine Gotianun-Yap, Director	November 18, 2001	1/1	100	1 year
Virginia T. Obcena *Independent Director*	November 18, 2001	1/1	100	1 year
Corporate Governance Committee				
Val Antonio B. Suarez *Chairman, Independent Director*	November 18, 2001	1/1	100	1 year
Virginia T. Obcena *Independent Director*	November 18, 2001	1/1	100	1 year
Gemilo J. San Pedro *Independent Director*	November 18, 2001	1/1	100	1 year
Related Party Transaction Committee				
Virginia T. Obcena *Chairperson, Independent Director*	November 18, 2001	1/1	100	1 year
Val Antonio B. Suarez *Independent Director*	November 18, 2001	1/1	100	1 year
Gemilo J. San Pedro *Independent Director*	November 18, 2001			1 year

Committee members are elected annually.
** First elected as Director on September 30, 2020, subject to the approval of the Philippine SEC of the increase of the Company's number of directors. There were no meetings of the Related Party Transaction Committee held after the appointment of Mr. San Pedro as director of the Company became effective on July 2, 2021.*

Shareholders' Benefits

The Company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Company and all its investors.

The Board shall be committed to respect the following rights of the stockholders:

I. Right to Nominate and Vote

1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code.
2. Cumulative voting is mandatory in the election of directors.
3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

II. Power of Inspection

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries, in accordance with the Revised Corporation Code, during business hours and upon prior written notice to the Company, for legal purposes.

All shareholders shall be furnished with annual reports, including financial statements, without cost or restrictions.

III. Right to Information

1. The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes and in accordance with SEC regulations.
3. In accordance with the SEC regulations, the minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes."

IV. Right to Dividends

1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
2. The Commission may direct the Company to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: i) when justified by definite corporate expansion projects or programs approved by the Board; ii) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or iii) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

V. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under the Revised Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; and
- In case of merger or consolidation.

VI. Right to Attend and Participate in Shareholders' Meetings

The Board should be transparent and fair in the conduct of the annual and special shareholders' meetings of the corporation.

Shareholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the shareholder's favor.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms.

They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

Dividend Policy and Dividends Paid

The Company has adopted a dividend policy in accordance with the provisions of the REIT Act, pursuant to which shareholders may be entitled to receive at least 90% of the Company's annual distributable income no later than the fifth month following the close of its fiscal year.

On August 31, 2021, FILRT paid cash dividends of ₱0.0112 per share or a total of ₱548 million to all shareholders on record as of September 15, 2021 and payable on September 30, 2021. On November 18, 2021, FILRT paid cash dividends of ₱0.0112 per share or a total of 548 million to all shareholders on record as of December 3, 2021, and payable on December 20, 2021.

Annual Stockholders' Meeting and Procedures

Notice of Annual Stockholders' Meeting

On October 8, 2021, FILRT disclosed to the PSE that its Board had fixed the date of the Annual Stockholders' Meeting on November 18, 2021 with the record date set on October 22, 2021.

Stockholders were informed that the Annual Stockholders' Meeting for 2021 would be conducted virtually on November 18, 2021 (Thursday) at 9:00 a.m. Only stockholders of record as of October 22, 2021 were entitled to attend and vote in this meeting. Right after the stockholders' meeting, FILRT disclosed to the PSE the results of the annual stockholders' meeting which included the following:

a. Approval of the Minutes of the Annual Stockholders' Meeting held on September 30, 2020;

b. Ratification of the Audited Financial Statements for the year ended December 31, 2020;

c. Declaration of cash dividends in the amount of Php0.112 per share to all stockholders of record as of December 3, 2021, with payment date on December 20, 2021;

d. Ratification of all the acts, resolutions and proceedings of the Board, Board Committees, and Management from the date of the last annual stockholders' meeting up to November 18, 2021;

e. Appointment of Sycip Gorres Velayo & Co. as the independent external auditor of FILRT for the year 2021.

FILRT likewise disclosed that the election of the following as directors to serve for the period 2021-2022 and until their successors shall have been duly elected and qualified:

1. L. Josephine Gotianun-Yap
2. Maricel Brion-Lirio
3. Tristaneil D. Las Marias
4. Francis Nathaniel C. Gotianun
5. Virginia T. Obcena (as independent director)
6. Gemilo J. San Pedro (as independent director)
7. Val Antonio B. Suarez (as independent director)

Statutory Compliance

FILRT fully complied with the PSE and SEC regulatory requirements. Below is the Company's Reportorial Compliance Report:

Type of Report	Number of Filings
Financials	
Annual Report (17-A)	1
Quarterly Report (17-Q)	3
2021 Audited Financial Statements	1
Request for extension in filing 17-A, 17-Q	None
Ownership	
Annual List of Stockholders – for Annual Stockholders' Meeting	1
Foreign Ownership Monitoring Report	6
Public Ownership Report	2
Report on Number of Shareholders and Board Lot	5
Initial Statement of Beneficial Ownership of Securities (23-A)	8
Statement of Changes in Beneficial Ownership of Securities (23-B)	11
Top 100 Stockholders' List	2
Notices – Stockholders' Meetings/ Briefings/Dividends	
Notice of Annual/Special Stockholders' Meeting	1
Dividend Notice (part of disclosure on Results of Stockholders' Meeting)	1
Other Disclosures	
Certification – Qualifications of Independent Directors	1
Clarifications of News Articles	None
Definitive Information Statement (20-IS)	1
General Information Sheet	1
Preliminary Information Statement (20-IS)	1
SEC Form 17-C (Current Report) Which includes the following:	
a) Results of Annual Stockholders' Meeting/Board Meetings	11
b) Press Releases	8
c) Other Matters	16

Investor Relations

FILRT's website, www.filinvestreit.com, makes available to the public current information on the Company, including details of its operations.

The Investor Relations section of the website provides information regarding the Company's operations, financial performance and other significant developments. It likewise contains financial statements, press releases, declaration of dividends, ownership structure and any changes in the ownership of major shareholders and officers, and other reportorial requirements by the PSE.

The contact details of the Investor Relations Department are available on the website.

RISK MANAGEMENT

FILRT's risk governance is led by a Board Audit and Risk Oversight Committee which considers strategic, operational, financial and compliance risks, sets the tone for risk treatment and assesses risk monitoring and assessment reports. The President and CEO serves as the risk executive for FILRT.

The table lists down the significant risk items with the corresponding risk mitigation actions.

TOP RISKS	Company Response
Philippine macroeconomics and demand for commercial space	Continued development of Filinvest City and interconnections with government's planned transport infrastructure
COVID-19 pandemic and resulting economic downturns and mobility restrictions	Support to and compliance with government's directives on COVID-19, on both health and deferred payments Focus on its leasing strategy to multinational global firms, including BPO, IT and traditional companies Various measures for the safety of tenants, customers, suppliers, service providers and employees
Government's real estate-related policies	Engagement with national agencies during the public consultations on policies or regulations under development
Related party transactions	Corporate governance provisions and related party transactions policy Application of arms-length principle in all dealings Compliance with BIR transfer pricing guidelines
Lease-related risks: global leasing trends, vacancies, reduced occupancy, untimely expiration or early termination of leases, delays and inability to collect rent payment, volatility in market rental rates	Leasing policies on screening tenant applicants Securing appropriate mix of tenants; Security deposits and advance rent Reconfiguration of tenant spaces where required Flexibility to tenant needs
Loss of PEZA accreditation, tax exemptions and incentives	Compliance with conditions in accreditations and permits Timely renewal of permits and filing of mandatory reports
Competition in real estate market	Continuous investments in quality properties Continuous repair and maintenance of properties
Illiquidity of real estate investments	Active management of capital structure Well-balanced risk management strategy
Increase in operating expenses	Optimization of operating costs Operational efficiencies, including energy management and digital solutions
Litigation risks and regulatory disputes	Relationship management with regulators Adoption of clear dispute resolution mechanisms

EESG Performance Metrics

A. Economic disclosures	2021
Economic Performance	
Direct Economic Value Generated and Distributed	Total (in PHP)
Direct economic value generated (Revenue)	
Direct economic value distributed*	
Procurement Practices	
Proportion of Spending on Local Suppliers	%
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	
Anti-Corruption	99%
Training on Anti-Corruption Policies and Procedures	
Percentage of employees who have received written communication about corporate anti-corruption policies and procedures	0%
Percentage of business partners who have received written communication about corporate anti-corruption policies and procedures	0%
Percentage of directors and management who have received anti-corruption training	100%
Percentage of employees who have received anticorruption training	100%
Incidents of Corruption	
Number of incidents in which directors were removed or disciplined for corruption	0
Number of incidents in which employees were dismissed or disciplined for corruption	0
Number of incidents when contracts with business partners were terminated due to corruption	0

B. Environment Disclosures		2021
Resource Management	Unit	Amount
Energy consumption within the organization and Reduction of Energy Consumption		
Energy consumption - by fuel type - Gasoline	Liters	0
Energy consumption - by fuel type - Diesel	Liters	123,980
Energy consumption - by fuel type - Electricity	kwh	14,488,796
Water consumption within the organization		
Water consumption within the organization (common & leased areas)	m3	262,424
Water recycled and reused		9,074
Materials Used by the Organization		
Materials used by weight or volume	kg	N/A *(FILRT does not construct property assets does not engage in manufacturing)*
Materials used by weight or volume - cement	Kg	N/A
Percentage of recycled input materials used to manufacture the organization's primary products and services	%	N/A
Ecosystems and Biodiversity		
Operational sites owned, leased in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		None. All FILRT assets are located in urban areas.
Habitats protected or restored		N/A
IUCN Red List species and national conservation list species with habitats in areas affected by operations		N/A

EESG Performance Metrics

B. Environment Disclosures		2021
Environmental Impact Management		
Ecosystems and Biodiversity		
Air Emissions - Green House Gasses (GHG)	Unit	Amount
Direct (Scope 1) GHG Emissions	Tons CO2-eq	235
Indirect (Scope 2) GHG Emissions	Tons CO2-eq	7,587
Indirect (Scope 3) GHG Emissions (due to DCS)	Tons CO2-eq	7,793
Air Pollutants		
Nitrogen oxides (NOx)	Kg	Nil
Sulfur oxides (SOx)	Kg	Nil
Persistent organic pollutants (POPs)	Kg	Nil
Volatile organic compounds (VOCs)	Kg	Nil
Hazardous air pollutants (HAPs)	Kg	Nil
Particulate matter (PM)	Kg	Nil
Solid Waste		
Reusable	Tons	0
Recyclable		0.117
Composted		0
Residuals/Landfilled		838
TOTAL		838
Hazardous Waste		
Total weight of hazardous waste generated	KG	144
Total weight of hazardous waste transported		0
Effluents		
Total volume of water discharges	CBM	9,074
Percent of wastewater recycled	%	3.97%
Environmental Compliance		
Non-compliance with environmental laws and regulations		
Total amount of monetary fines for noncompliance with environmental laws and/or regulations	PHP	0

C. Social Disclosures	2021
Employee Management	
Employee Hiring and Benefits	TOTAL | MALE | FEMALE
Total number of employees	*FILRT does not have permanent employees but seconded talents from the Filinvest Group.*
Attrition rate	N/A
Ratio of lowest paid employee against minimum wage	N/A
Employee Training and Development	
Total training hours provided to employees (by male/female)	Training information for the seconded talents from the Filinvest group are indicated in their respective sustainability reports.
Average training hours provided to employees (by male/female)	
Labor Management and Relations	

EESG Performance Metrics

C. Social Disclosures	2021
% of employees covered by Collective Bargaining Agreements	N/A
Number of consultations conducted with employees concerning employee-related policies	N/A
Diversity and Equal Opportunity	
% of workers in the workforce by gender	56% of Filinvest talents seconded/assigned to FILRT are women.
Number of employees from indigenous communities and/or vulnerable sector	0
Workplace Conditions, Labor Standards, and Human Rights Occupational Health and Safety	
Safe Man-Hours	235,226
No. of work-related injuries	0
No. of work-related fatalities	0
No. of work-related ill-health	0
Labor Laws and Human Rights	
Policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace	0
No. of legal actions or employee grievances involving forced or child labor	0
Relationship with Community	
Significant Impacts on Local Communities	
For operations affecting IPs, total number of Free and Prior Informed Consent (FPIC) consultations and Certification Preconditions (CPs) secured	0
Customer Management	
Customer Satisfaction Score(s)	No survey result was available for 2021.
Health and Safety	
Number of substantiated complaints on product or service health and safety	None on record
Number of complaints addressed	None on record
Marketing and Labelling	
Number of substantiated complaints on marketing and labelling	None on record
Number of complaints addressed	None on record
Customer Privacy	
Number of substantiated complaints on customer privacy	0
Number of complaints addressed	0
Number of customers, users and account holders whose information is used for secondary purposes	0
Data Security	
No. of data breaches, including leaks, thefts and losses of data	0

SEC Content Index

Disclosures		Reporting location	Remarks/Explanation
Company details			
Name of Organization		About This Report	Filinvest REIT Corp. (FILRT)
Location of Headquarters			23rd Floor, Axis Tower 1, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinpula City, Philippines
Location of Operations			Alabang, Muntinlupa City and Cebu City
Report Boundary: Legal entities included in this report		Materiality	All FILRT assets leased out in Alabang and Cebu, except for the operations of Capital One which has its own property management office
Business Model		Business Model	Property Leasing and Operations
Reporting Period		About this Report	August __ – December 31, 2021. FILRT was listed in the PSE on August 12, 2021. The properties in the FILRT portfolio have been operational for more than 3 years prior to FILRT listing, under Cyberzone Properties, Inc.
Highest Ranking Person for this report		Maricel Brion-Lirio	FILRT President and CEO
A. Economic disclosures		**Reporting location**	**Remarks/ explanation**
Economic Performance			
Direct Economic Value Generated and Distributed			
General Disclosures	Management Approach	About this Section	
	The Impact and Where it Occurs		
	Stakeholders Affected		
KPIs	Direct economic value generated (Revenue)	Performance Metrics	
	Direct economic value distributed		
Climate-Related Risks and Opportunities			
General Disclosures	Governance	-	Climate-related information not available at time of reporting. FILRT's Sustainability Framework, incl. climate change policy and commitments, is under development.
	Strategy		
	Risk Management		
	Metrics and Targets		
Procurement Practices			
Proportion of Spending on Local Suppliers			
General Disclosures	Management Approach	Our Suppliers	All procurement in the Filinvest group is centralized under Supply Chain Management of SharePro, a recently organized shared services company. Local procurement in 2021 was at 99%.
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPI	Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Economic Performance	
Anti-Corruption			
Training on Anti-Corruption Policies and Procedures			
General Disclosures	Management Approach	Corporate Governance	FILRT's Corporate Governance is aligned with the Corporate Governance practices of the Sponsor, FLI.
	The Impact and Where it Occurs		
	Stakeholders Affected		
KPI	Percentage of employees who have received written communication	-	
	about corporate anti-corruption policies and procedures Percentage of business partners who have received written communication about corporate anti-corruption policies and procedures		
	Percentage of directors and management who have received anti-corruption training		
	Percentage of employees who have received anti-corruption training		

SEC Content Index

Disclosures		Reporting location	Remarks/Explanation
Incidents of Corruption			
General Disclosures	Management Approach	Corporate Governance section	
	The Impact and Where it Occurs		
	Stakeholders Affected		
KPIs	Number of incidents in which directors were removed or disciplined for corruption		
	Number of incidents in which employees were dismissed or disciplined for corruption		
	Number of incidents when contracts with business partners were terminated due to corruption		
B. Environment Disclosures			
Resource Management			
Energy consumption within the organization and Reduction of Energy Consumption			
General Disclosures	Management Approach	Environmental Performance section	
	The Impact and Where it Occurs	Materiality	
	Stakeholders Affected		
KPIs	Energy consumption - by fuel type	Environmental Performance section	Most of the energy consumption of FILRT is on electricity bought from both Meralco and via FDC RES open access contract.
	Energy reduction - by fuel type		
Water consumption within the organization			
General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
	ESG Risks and Opportunities		
KPIs	Water consumption within the organization	Our Environmental Impact Performance Metrics	Water consumed is primarily from surface water sources provided by the utility. Filinvest Alabang operates its own sewage treatment facility which receives the raw wastewater from FILRT buildings.
	Water withdrawal		
	Water consumption		
	Water recycled and reused		
Materials Used by the Organization			
General Disclosures	Management Approach	Environment Section	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Materials used by weight or volume	Our Environmental Impact Performance Metrics	
	Percentage of recycled input materials used to manufacture the organization's primary products and services	-	FILRT does not engage in construction nor manufacture products.
Ecosystems and Biodiversity			
General Disclosures	Management Approach	Environment Section	
	The Impact and Where it Occurs		
	Stakeholders Affected		
KPIs	Operational sites owned, leased in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		The location of the FILRT assets are not biodiversity hotspots.
	Habitats protected or restored		
	IUCN Red List species and national conservation list species with habitats in areas affected by operations		

SEC Content Index

Disclosures		Reporting location	Remarks/Explanation
Environmental Impact Management			
Air Emissions - Green House Gasses (GHG)			
General Disclosures	Management Approach	Environment Section	
	The Impact and Where it Occurs		
	Stakeholders Affected		
	ESG Risks and Opportunities		
KPIs	Direct (Scope 1) GHG Emissions		
	Energy indirect (Scope 2) GHG Emissions		GHG emissions are primarily from diesel consumption and electricity bought. Some of the electricity is sourced from 100% renewables. Scope 3 is from the electricity used by the district cooling system which is a third party service provider to FILRT.
	Emissions of ozone-depleting substances (ODS)	-	Not Reported on
Air Pollutants			
General Disclosures	Management Approach	-	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Nitrogen oxides (NOx)	-	Nil. While the gensets are regularly tested, these are only for very short durations, in minutes.
	Sulfur oxides (SOx)		
	Persistent organic pollutants (POPs)		
	Volatile organic compounds (VOCs)		
	Hazardous air pollutants (HAPs)		
	Particulate matter (PM)		
Solid Waste			
General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Total solid waste generated - by type	Our Environmental Impact Performance Metrics	
Hazardous Waste			
General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Total weight of hazardous waste generated	Performance Metrics	
	Total weight of hazardous waste transported		
Effluents			
General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Total volume of water discharges	Our Environmental Impact Performance Metrics	Wastewater discharges are estimated as a percentage of the total water consumed. Wastewater is treated in a centralized facility in Filinvest Alabang which includes sewage from other locators.
	Percent of wastewater recycled		Part of the treated effluent is sent back to the neighborhood for landscape irrigation.
Environmental Compliance			
Non-compliance with environmental laws and regulations			
General Disclosures	Management Approach	Our Environmental Impact	
	The Impact and Where it Occurs	About this Section	
	Stakeholders Affected		
KPIs	Total amount of monetary fines for non-compliance with environmental laws and/or regulations	Our Environmental Impact Performance Metrics	In 2020, there were no NOVs issued by both DENR EMB NCR and LLDA regulators.
	Number of non-monetary sanctions for non-compliance with environmental laws and/or regulations		
	Number of cases resolved through a dispute resolution mechanism		

SEC Content Index

Disclosures		Reporting location	Remarks/Explanation
C. Social Disclosures			
Employee Management			
Employee Hiring and Benefits			
General Disclosures	Management Approach	Social performance section	
	The Impact and Where it Occurs	About this Section	
KPIs	Total number of employees	Our People Performance Metrics	
	Attrition rate	-	All FILRT employees are assigned from the Sponsor, FILRT's talent pool.
	Ratio of lowest paid employee against minimum wage	-	
	List of employee benefits	Our People	
Employee Training and Development			
General Disclosures	Management Approach	Our People – Training and Development	
	The Impact and Where it Occurs	About this Section	
KPIs	Total training hours provided to employees (by male/ female)	Our People Performance Metrics	Information on training is reported in FLI's sustainability report.
	Average training hours provided to employees (by male/ female)		
Labor Management and Relations			
General Disclosures	Management Approach	Our People	
	The Impact and Where it Occurs	About this Section	
KPIs	% of employees covered by Collective Bargaining Agreements	Performance Metrics	There is no CBA in FILRT. Employee concerns are handled by the Sponsor, FLI.
	Number of consultations conducted with employees concerning employee-related policies	-	
Diversity and Equal Opportunity			
General Disclosures	Management Approach	-	
	The Impact and Where it Occurs	About this Section	
KPIs	% of female workers in the workforce	Our People Performance Metrics	More than 50% of the talents assigned to FILRT are female.
	% of male workers in the workforce		
	Number of employees from indigenous communities and/or vulnerable sector		
Workplace Conditions, Labor Standards, and Human Rights Occupational Health and Safety			
General Disclosures	Management Approach	Our People - Health, Safety and Wellbeing	
	The Impact and Where it Occurs	About this Section	
KPIs	Safe Man-Hours	-	There were no significant safety incidents in 2021. No documented COVID-19 transmission in the workplace
	No. of work-related injuries		
	No. of work-related fatalities		
	No. of work-related ill-health		
	No. of safety drills		
Labor Laws and Human Rights			
General Disclosures	Management Approach	Our Suppliers Our People	
	The Impact and Where it Occurs	About this Section	
KPIs	Policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace	Our People Performance Metrics	Filinvest's code of business conduct also applies to service providers, in accordance with contract provisions.
	No. of legal actions or employee grievances involving forced or child labor	Performance Metrics	

SEC Content Index

Disclosures		Reporting location	Remarks/Explanation
Supply Chain			
Supplier Accreditation and Screening			
General Disclosures	Management Approach	Our Suppliers	
	The Impact and Where it Occurs	About this Section	
KPIs	Supplier Accreditation Policy	Our Suppliers	Vendor accreditation policy is being implemented by Supply Chain Management under SharePro, a shared services company under FDC.
	Sustainability Topics Considered		
	When Selecting/Screening Suppliers		
Relationship with Community			
Significant Impacts on Local Communities			
General Disclosures	Management Approach	Our Communities	
KPIs	Operations with significant impacts on local communities (by location, vulnerable group/indigenous people (IPs))		The locations of the FILRT assets are not within lands with certificate of ancestral domain titles.
	Mitigating measures (if negative) or enhancement measures (if positive)		
	For operations affecting IPs, total number of Free and Prior Informed Consent (FPIC) consultations and Certification Preconditions (CPs) secured		
Customer Management			
Customer Satisfaction			
General Disclosures	Management Approach	Our Customers – Serving our Customers	
	The Impact and Where it Occurs	Approach to CSR	
KPIs	Customer Satisfaction Score(s)	–	
Health and Safety			
General Disclosures	Management Approach	Our Customers – Serving our Customers	
	The Impact and Where it Occurs	Approach to CSR	
KPIs	Number of substantiated complaints on product or service health and safety	Our Customers Performance Metrics	FILRT's primary customers are businesses who lease office spaces. Customer satisfaction survey data for 2021 are not available.
	Number of complaints addressed		
Marketing and Labelling			
General Disclosures	Management Approach	Our Customers – Serving our Customers	
	The Impact and Where it Occurs	Approach to CSR	
KPIs	Number of substantiated complaints on marketing and labelling	Our Customers Performance Metrics	No recorded complaints on record.
	Number of complaints addressed		
Customer Privacy			
General Disclosures	Management Approach	Our Customers – Protecting Privacy	
	The Impact and Where it Occurs	Approach to CSR	
KPIs	Number of substantiated complaints on customer privacy	Our Customers Performance Metrics	
	Number of complaints addressed		
	Number of customers, users and account holders whose information is used for secondary purposes		FILRT does not have individuals as customers.
Data Security			
General Disclosures	Management Approach	Social performance	
KPIs	The Impact and Where it Occurs		
	No. of data breaches, including leaks, thefts and losses of data		FILRT has no reported data breaches in 2021.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 17)	**P2,587,195,631**	P870,517,532
Receivables (Note 5)	**754,995,633**	830,144,454
Other current assets (Note 11)	**64,054,931**	1,171,332,106
	3,406,246,195	2,871,994,092
Noncurrent assets held for distribution (Notes 6 and 16)	**–**	6,843,701,346
Total Current Assets	**3,406,246,195**	9,715,695,438
Noncurrent Assets		
Advances to contractors (Note 8)	**13,293,694**	18,393,179
Investment properties (Notes 6, 9 and 20)	**9,165,931,034**	11,629,804,872
Property and equipment (Note 10)	**81,686,898**	68,394,882
Intangible assets (Notes 6, 7 and 20)	**1,054,470,180**	3,408,827,424
Other noncurrent assets (Note 11)	**250,528,341**	388,417,886
Total Noncurrent Assets	**10,565,910,147**	15,513,838,243
Total Assets	**P13,972,156,342**	P25,229,533,681
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	**P1,222,657,329**	P1,583,711,747
Current portion of:		
Lease liabilities (Note 20)	**1,848,085**	92,617,060
Security and other deposits (Note 15)	**96,987,598**	116,414,891
Loans payable (Notes 13, 25 and 26)	**–**	744,166,667
Dividends payable (Note 16)	**–**	6,611,906,765
Total Current Liabilities	**1,321,493,012**	9,148,817,130
Noncurrent Liabilities		
Bonds payable (Notes 14, 25 and 26)	**5,987,044,949**	5,974,168,846
Lease liabilities - net of current portion (Note 20)	**25,990,097**	2,097,498,105
Security and other deposits - net of current portion (Note 15)	**654,002,829**	732,659,169
Loans payable - net of current portion (Notes 13, 25 and 26)	**–**	1,600,000,000
Deferred tax liability - net (Note 19)	**–**	269,939,889
Other noncurrent liabilities (Notes 15 and 18)	**–**	300,385,682
Total Noncurrent Liabilities	**6,667,037,875**	10,974,651,691
Total Liabilities	**7,988,530,887**	20,123,468,821
Equity		
Capital stock (Note 16)	**2,446,388,997**	1,163,426,668
Additional paid-in capital (Note 16)	**2,518,356,922**	102,900,666
Deposit for future stock subscription (Notes 13 and 16)	**–**	1,889,583,333
Retained earnings (Note 16)	**1,018,879,536**	1,950,125,348
Remeasurement gain (loss) on retirement plan (Note 18)	**–**	28,845
Total Equity	**5,983,625,455**	5,106,064,860
Total Liabilities and Equity	**P13,972,156,342**	P25,229,533,681

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	December 31,		
	2021	2020 (As restated, see Note 2)	2019 (As restated, see Note 2)
REVENUES			
Rental revenue (Notes 7, 9, 17 and 20)	**P2,519,294,434**	P2,833,413,910	P2,814,668,936
Others (Notes 2 and 21)	**922,722,669**	1,048,582,442	924,548,323
	3,442,017,103	3,881,996,352	3,739,217,259
COSTS AND EXPENSES			
Depreciation and amortization (Notes 7, 9, 10, and 20)	**427,657,046**	486,065,150	418,797,652
Utilities	**277,795,323**	297,548,444	332,257,377
Rental expense (Notes 17 and 20)	**271,083,960**	297,968,918	305,153,634
Manpower and service cost	**235,494,750**	243,871,278	241,837,292
Repairs and maintenance	**183,504,663**	132,656,658	162,585,686
Taxes and licenses	**95,353,896**	118,895,084	67,544,321
Insurance	**15,915,467**	4,019,860	11,199,434
Service and management fees (Note 17)	**63,754,897**	35,181,867	27,393,465
Provision for expected credit loss (Note 5)	**7,417,014**	–	–
Others	**10,433,134**	9,165,807	6,035,723
	1,588,410,150	1,625,373,066	1,572,804,584
OTHER INCOME (CHARGES)			
Gain on derecognition of lease liabilities	**189,183,041**	5,842,526	–
Interest income (Notes 4, 5, 17 and 22)	**9,986,396**	3,908,966	10,468,164
Interest and other financing charges (Notes 13, 14 and 20)	**(348,226,313)**	(351,361,074)	(230,520,294)
Gain on sale of investment property (Notes 7 and 20)	**–**	65,038,584	–
Other charges – net	**(1,411,852)**	(2,319,005)	(2,576,278)
	(150,468,728)	(278,890,003)	(222,628,408)
INCOME BEFORE INCOME TAX	**1,703,138,225**	1,977,733,283	1,943,784,267
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)			
Current	**117,651,935**	231,150,026	189,580,926
Deferred	**(269,648,113)**	(114,258,532)	119,807,959
	(151,996,178)	116,891,494	309,388,885
NET INCOME	**1,855,134,403**	1,860,841,789	1,634,395,382
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified to profit or loss			
Remeasurement loss on retirement plan, net of tax (Note 19)	**–**	(1,055,090)	–
TOTAL COMPREHENSIVE INCOME	**P1,855,134,403**	P1,859,786,699	P1,634,395,382
Basic/Diluted Earnings Per Share (Note 23)	**P0.53**	P0.80	P0.70

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Deposit for Future Stock Subscription (Note 16)	Appropriated Retained Earnings (Note 16)	Unappropriated Retained Earnings (Note 16)	Remeasurement Gain/(Loss) on Retirement Plan (Note 18)	Total
			For the Year Ended December 31, 2021				
Balances at January 1, 2021	**P1,163,426,668**	**P102,900,666**	**P1,889,583,333**	**P–**	**P1,950,125,348**	**P28,845**	**P5,106,064,860**
Comprehensive income							
Net income	**–**	**–**	**–**	**–**	**1,855,134,403**	**–**	**1,855,134,403**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**	**1,855,134,403**	**–**	**1,855,134,403**
Reclassification of remeasurement to retained earnings					**28,845**	**(28,845)**	**–**
Property dividends declared	**–**	**–**	**–**	**–**	**(1,690,426,790)**	**–**	**(1,690,426,790)**
Cash dividends declared	**–**	**–**	**–**		**(1,095,982,270)**		**(1,095,982,270)**
Additional deposit for future stock subscription	**–**	**–**	**1,856,666,667**	**–**	**–**	**–**	**1,856,666,667**
Application of deposit for future stock subscription and issuance of shares	**1,282,962,329**	**2,463,287,671**	**(3,746,250,000)**	**–**	**–**	**–**	**–**
Stock issuance and transaction cost	**–**	**(47,831,415)**	**–**	**–**	**–**	**–**	**(47,831,415)**
Balances at December 31, 2021	**P2,446,388,997**	**P2,518,356,922**	**P–**	**P–**	**P1,018,879,536**	**P–**	**P5,983,625,455**
			For the Year Ended December 31, 2020				
Balances at January 1, 2020	P1,163,426,668	P102,900,666	P–	P6,300,000,000	P401,190,324	P1,083,935	P7,968,601,593
Comprehensive income							
Net income	–	–	–	–	1,860,841,789	–	1,860,841,789
Other comprehensive income	–	–	–	–	–	(1,055,090)	(1,055,090)
Total comprehensive income	–	–	–	–	1,860,841,789	(1,055,090)	1,859,786,699
Property dividends declared	–	–	–	–	(6,611,906,765)	–	(6,611,906,765)
Reversal of appropriation	–	–	–	(6,300,000,000)	6,300,000,000	–	–
Deposit for future subscription		–	1,889,583,333	–	–	–	1,889,583,333
Balances at December 31, 2020	P1,163,426,668	P102,900,666	P1,889,583,333	P–	P1,950,125,348	P28,845	P5,106,064,860

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Deposit for Future Stock Subscription (Note 16)	Appropriated Retained Earnings (Note 16)	Unappropriated Retained Earnings (Note 16)	Remeasurement Gain/(Loss) on Retirement Plan (Note 18)	Total
			For the Year Ended December 31, 2019				
Balances at January 1, 2019	P1,163,426,668	P102,900,666	P1,889,583,333	P5,000,000,000	P415,134,676	P1,083,935	P6,682,545,945
Comprehensive income							
Net income	–	–	–	–	1,634,395,382	–	1,634,395,382
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	1,634,395,382	–	1,634,395,382
Cash dividends declared	–	–		–	(348,339,734)	–	(348,339,734)
Appropriation	–	–		1,300,000,000	(1,300,000,000)	–	–
Balances at December 31, 2019	P1,163,426,668	P102,900,666	–	P6,300,000,000	P401,190,324	P1,083,935	P7,968,601,593
			–				

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**P1,703,138,225**	P1,977,733,283	P1,943,784,267
Adjustments for:			
Depreciation and amortization (Notes 6, 7, 9, 10, and 20)	**427,657,046**	486,065,150	418,797,652
Interest expense and other financing changes (Notes 13, 14 and 20)	**348,226,313**	351,361,074	230,520,294
Gain on derecognition of lease liability (Note 20)	**(189,183,041)**	(5,842,526)	–
Interest income (Note 4, 17 and 22)	**(9,986,396)**	(3,908,966)	(10,468,164)
Gain on sale of investment properties (Note 20)	**-**	(65,038,584)	–
Pension expense (Note 18)	**-**	487,197	413,785
Operating income before changes in operating assets and liabilities	**2,279,852,147**	2,740,856,628	2,583,047,834
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	**75,148,821**	(54,648,565)	(248,456,384)
Other current assets	**313,848,363**	(200,426,188)	(210,446,398)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(16,930,270)**	(191,226,805)	(144,925,151)
Other current liabilities	**-**	(129,337,085)	81,056,737
Security and other deposits	**(98,083,633)**	25,187,166	65,066,932
Other noncurrent liabilities	**(300,385,682)**	97,504,469	153,409,376
Net cash generated from operations	**2,253,449,746**	2,287,909,620	2,278,752,946
Interest received (Note 4)	**9,986,396**	3,908,966	10,468,164
Income tax paid	**(117,680,780)**	(231,583,519)	(197,650,866)
Net cash provided by operating activities	**2,145,755,362**	2,060,235,067	2,091,570,244
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale and assignment of:			
Investment properties (Notes 6 and 9)	**615,458,031**	737,840,581	–
Intangible assets (Note 7)	**966,124,237**	–	–
ProOffice Work Services, Inc. (Note 1)	**-**	17,162,936	–
Additions to:			
Investment properties (Note 6 and 9)	**(413,237,259)**	(1,158,021,511)	(2,163,580,071)
Intangible assets (Note 6 and 7)	**(152,341,910)**	(241,043,644)	(172,480,426)
Property and equipment (Note 10)	**(30,219,374)**	(16,760,634)	(39,207,659)
Decrease (increase) in:			
Advances to contractors	**5,099,485**	97,551,319	(156,317,788)
Other noncurrent assets (Note 11)	**5,493,291**	88,011,202	(32,676,043)
Net cash provided by (used in) investing activities	**996,376,501**	(475,259,751)	(2,564,261,987)

(Forward)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from availments of loans payable (Note 13)	**P–**	P1,000,000,000	P2,100,000,000
Payments of:			
Cash dividends (Note 16)	**(1,095,982,270)**	(348,339,734)	–
Principal portion of lease liabilities (Note 20)	**(14,397,140)**	(47,613,247)	(17,259,680)
Interest and transaction cost (Note 20)	**(315,074,354)**	(471,907,571)	(479,482,496)
Loans payable (Notes 13 and 25)	**-**	(1,355,454,545)	(1,339,242,424)
Net cash provided by (used in) financing activities	**(1,425,453,764)**	(1,223,315,097)	264,015,400
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,716,678,099**	361,660,219	(208,676,343)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**870,517,532**	508,857,313	717,533,656
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**P2,587,195,631**	P870,517,532	P508,857,313

See accompanying Notes to Consolidated Financial Statements.

Filinvest REIT Corp.

23rd Floor, Filinvest Axis Tower One Northgate
Cyberzone, Filinvest City, Muntinlupa

www.filinvestreit.com

Part VII - EXHIBITS AND SCHEDULES

Item 15. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The 2021 Audited Financial Statements of the Company (with the auditors' SGV, name of certifying partner and address) and Statement of Management's Responsibility are attached hereto as **Annex "A"**.

(b) Reports on SEC Form 17-C

The Report on each Form 17-C filed during the last 12-month period covered by this report is attached hereto as Annexes**.** Please see details below.

Report	Report Date	Annex
Result of Board of Directors Meeting held on January 20, 2021	January 20, 2021	Annex "A"
Result of Special Board of Directors Meeting held on February 11, 2021	February 15, 2021	Annex "B"
Result of Board of Directors Meeting held on March 5, 2021	March 9, 2021	Annex "C"
Result of Special Board of Directors Meeting held on March 9, 2021	March 12, 2021	Annex "D"
Result of Special Board of Directors Meeting held on March 19, 2021	March 22, 2021	Annex "E"
Filing of registration statement with the SEC covering the Company's REIT IPO	March 25, 2021	Annex "F"
Disclosure re: Newly Appointed Data Protection Officer	April 12, 2021	Annex "G"
Result of Special Meeting of Stockholders held on June 25, 2021	June 28, 2021	Annex "H"
Press Release: Filinvest REIT IPO gets SEC nod	July 7, 2021	Annex "I"
Press Release_Filinvest REIT obtains PSE Board Approval	July 9, 2021	Annex "J"
Result of Board of Directors meeting held on July 9, 2021	July 14, 2021	Annex "K"
Disclosure re: SEC approval of the Amendments of the FILRT's AOI & By-Laws	July 15, 2021	Annex "L"
Disclosure re: SEC approval of the FILRT's Property Dividends Declaration	July 16, 2021	Annex "M"
Press Release: Filinvest REIT ₱12.6B IPO priced at ₱7.00 per share, driven by strong domestic demand during bookbuild	July 21, 2021	Annex "N"
Press Release: Filinvest REIT IPO offer starts July 23	July 23, 2021	Annex "O"
Press Release: Filinvest REIT braves headwinds with IPO	August 12, 2021	Annex "P"
Press Release: Filinvest REIT breaches P1-B net income mark in 1H2021	August 13, 2021	Annex "Q"
Disclosure re: Stabilization Agent's weekly report on Stabilization Activities Conducted from August 12, 2021, to close of the week on August 13, 2021	August 16, 2021	Annex "R"
Disclosure re: Stabilization Agent's weekly report on Stabilization Activities Conducted from August 16, 2021, to close of the week on August 20, 2021	August 20, 2021	Annex "S"
Disclosure re: Stabilization Agent's weekly report on Stabilization Activities Conducted from August 23, 2021, to close of the week on August 27, 2021	August 27, 2021	Annex "T"
Press Release: Filinvest REIT declares dividends	August 31, 2021	Annex "U"
Disclosure re: Stabilization Agent's weekly report on Stabilization Activities Conducted from August 30, 2021, to close of the week on September 3, 2021	September 3, 2021	Annex "V"
Disclosure re: Closing Date of the Stabilization Period	September 9, 2021	Annex "W"
Disclosure re: Stabilization Agent's weekly report on Stabilization Activities Conducted from September 6, 2021, to close of the week on September 10, 2021	September 10, 2021	Annex "X"
Disclosure re: Stabilization Agent's report on summary of Stabilization Activities Conducted during the stabilization period from August 12, 2021 until September 10, 2021	September 13, 2021	Annex "Y"
Disclosure re: Stabilization Agent's report on the number of shares bought during the stabilization period commencing on 12 August 2021 and ending on 10 September 2021 and the redelivery of equivalent	September 17, 2021	Annex "Z"

securities to Filinvest Land, Inc.		
Result of Board of Directors Meeting held on October 8, 2021	October 8, 2021	Annex “AA”
Disclosure re: 2021 Third Quarter Progress Report on the Use of Proceeds from the Initial Public	October 15, 2021	Annex “BB”
Disclosure re: FREIT Performance Report for the Third Quarter of 2021	November 16, 2021	Annex “CC”
Press Release: Filinvest REIT declares dividends	November 18, 2021	Annex “DD”
Result of Board of Directors Meeting held on November 18, 2021	November 18, 2021	Annex “EE”
Result of Annual Stockholders Meeting held on November 18, 2021	November 18, 2021	Annex “FF”
Result of Organizational Meeting held on November 18, 2021	November 18, 2021	Annex “GG”
Disclosure re: FILRT’s Three (3)-Year Investment Strategy 2022-2024	December 29, 2021	Annex “HH”

2021 Annual Progress Report on the Disbursement of Proceeds from the Initial Public Offering ("IPO") of Filinvest REIT Corp ("FILRT")

FILINVEST
LAND, INCORPORATED

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

January 14, 2022

THE PHILIPPINE STOCK EXCHANGE
Philippine Stock Exchange Plaza
5th Floor, PSE Tower
Bonifacio Global City, Taguig

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

Subject: 2021 Annual Progress Report on the Disbursement of Proceeds from the Initial Public Offering ("IPO") of Filinvest REIT Corp. ("FILRT")

Dear Ms. Encarnacion,

We are pleased to submit our Progress Report on the Application of Proceeds for the Year 2021, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

Please be advised that as of December 31, 2021, the remaining balance of the proceeds from the FILRT IPO amounts to Nine Billion Six Hundred Ninety Million Four Hundred Ninety Five Thousand Three Hundred Thirty Two Pesos and Seventy Eight Centavos (Php 9,690,495,332.78).

The details of the disbursements in 2021 are as follows:

Gross Proceeds from IPO	Php	12,583,246,445.00
Purchase of shares during the stabilization period	-	2,281,799.73
Underwriters and IPO-related fees	-	316,945,305.82
Net Proceeds received		12,264,019,339.45
Disbursements for Transaction Costs, Aug. 12- Sept. 30	-	132,542,600.57
Disbursements for Transaction Costs, Oct. 1- Dec. 31	-	1,571,600.24
Available for Reinvestment		12,129,905,138.64
Disbursements for Reinvestment Aug 12- Sept 30	-	1,566,787,666.62
Disbursements for Reinvestment Oct 1-Dec. 31	-	872,622,139.24
Balance of IPO Proceeds as of December 31, 2021	Php	9,690,495,332.78

Thank you.

Very truly yours,

ANA VENUS A. MEJIA
Chief Finance Officer

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
CITY OF MANDALUYONG) S.S.

I certify that on JAN 1 4 2022, before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

	Competent Evidence of Identity	Date / Place Issued
Filinvest Land, Inc. *Represented by:*	TIN: 000-533-224-000	
Ana Venus A. 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 theyhave executed the instrument as their free and voluntary act and deed.

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

JOVEN G. [illegible]ELLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION [illegible] DECEMBER 31, 2022
[illegible]
IBP [illegible]; RIZAL
PTR NO. [illegible] MANDALUYONG
MCLE COMPLIANCE [illegible] APRIL 2022
METRO [illegible] COMPLEX, MANDALUYONG CITY

Doc. No. 1;
Page No. 2;
Book No. 2;
Series of 2022.

FILINVEST LAND, INC.
79 EDSA, Highway Hills
Mandaluyong City, Metro Manila
Trunk line: (632) 918-8188
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www.filinvestland.com

ANNEX A- Disbursements from August 12, 2021-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
Belize 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

FILINVEST LAND, INC.

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Disbursements from October 1, 2021 to December 31, 2021

Project Name	Disbursing Entity	4Q2021
Axis Three	Filinvest Land, Inc.	39,043,957.65
Axis Four	Filinvest Land, Inc.	8,092,912.79
Cebu Tower 3	Filinvest Land, Inc.	51,375,589.70
Marina Town	Filinvest Land, Inc.	24,395,903.00
Columna	Filinvest Land, Inc.	19,146,350.21
387 Gil Puyat	Filinvest Cyberparks Inc	53,430,947.80
4Workplus	Filinvest Cyberzone Mimosa Inc	11,080,029.39
7 Workplus	Filinvest Cyberzone Mimosa Inc	2,533,826.02
PDDC	Phil. DCS Development Corp.	3,599,857.96
Marina Town Mall	Filinvest Land	37,082,938.66
Clark Lifestyle Mall	Filinvest Cyberzone Mimosa Inc	103,739,027.40
Panglao Oasis	Filinvest Land, Inc.	113,346,538.06
Alta Spatial	Filinvest Land, Inc.	106,058,156.07
Verde Spatial	Filinvest Land, Inc.	37,030,012.69
Bali Oasis	Filinvest Land, Inc.	37,112,772.31
Belize Oasis	Filinvest Land, Inc.	33,232,551.90
Raw Land	Filinvest Land, Inc.	96,343,773.59
Dreambuilders capex	Filinvest Land, Inc.	95,976,994.04
TOTAL		872,622,139.24

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REPORT OF FACTUAL FINDINGS

Filinvest Land, Inc.
Filinvest Building, 79 EDSA, Highway Hills
Mandaluyong City 1550, Metro Manila

Attention: **Ms. Ana Venus Mejia**
Chief Finance Officer

Dear Ms. Mejia:

We have performed the procedures agreed with you and enumerated below with respect to the attached Annual Progress Report as at **December 31, 2021** on the use of the proceeds from the secondary offer received by **Filinvest Land, Inc.** (the "Company") from the Initial Public Offering ("IPO") of **Filinvest REIT Corp.** ("FILRT") on **August 12, 2021.** The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to PerformAgreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

1. Obtain the Annual Progress Report on Use of Proceeds from IPO of FILRT for the period August 12, 2021 to December 31, 2021 (the "Progress Report") and check the mathematical accuracy of the Progress Report.

2. Compare the proceeds received in the Progress Report to the bank statement and journal voucher noting the date received and amount recorded.

3. Compare the disbursements in the Progress Report to the list of disbursements for the period August 12, 2021 to December 31, 2021 (the "Disbursements Schedule").

4. Compare the Disbursements Schedule with the schedule of planned use of IPO proceeds as documented in the Reinvestment Plan.

5. On a sample basis, trace disbursements to the supporting documents such as progress billings, invoices, check vouchers, official receipts, and bank statements.

We report our findings below:

1. We obtained the Progress Report and checked its mathematical accuracy, no exceptions noted.

2. We compared the net proceeds received in the Progress Report amounting to ₱12,264,019,339 to the bank statements and journal vouchers, and noted the following:

   i. The Company received ₱11,122,469,644 representing the proceeds from the firm offer shares on August 12, 2021 and ₱1,141,649,695 representing the proceeds from the overallotment shares on September 16, 2021.

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ii. We noted a difference of ₱100,000 which management represented pertained to the opening balance of the bank account of FILRT which was included when it transferred the funds to the Company.

3. We compared the disbursements in the Progress Report to the Disbursement Schedule for the period August 12, 2021 to December 31, 2021, no exceptions noted.

4. We compared the Disbursements Schedule with the schedule of Planned use of IPO proceeds as documented in the Reinvestment Plan and noted that the projects in the Disbursement Schedule are included in the REIT plan and disbursements for each project are within the amount allocated in the Reinvestment Plan.

5. On a sample basis, we traced disbursements to the supporting documents such as progress billings, invoices, check vouchers, official receipts, and bank statements. We noted differences in the amounts per disbursements selected as sample and supporting documents which pertain to other items not selected as samples, not part of the Reinvestment Plan or related to withholding taxes.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on the accounts of the Company or its financial statements, taken as a whole.

Had we performed additional procedures or performed an audit or review of the financial statements in accordance with PSA or PSRE, other matters might have come to our attention that would have been reported to you.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties who havenot agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the report on the Company's use of proceeds from the offering anditems specified above and do not extend to any financial statements of the Company taken as a whole.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Tax Identification No. 248-679-852
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118546-SEC (Group A)
SEC Firm Accreditation No. 0001-SEC (Group A)
BIR Accreditation No. 08-001998-137-2020, January 31, 2020, valid until January 30, 2023
PTR No. 8534358, January 4, 2021, Makati City

January 14, 2022

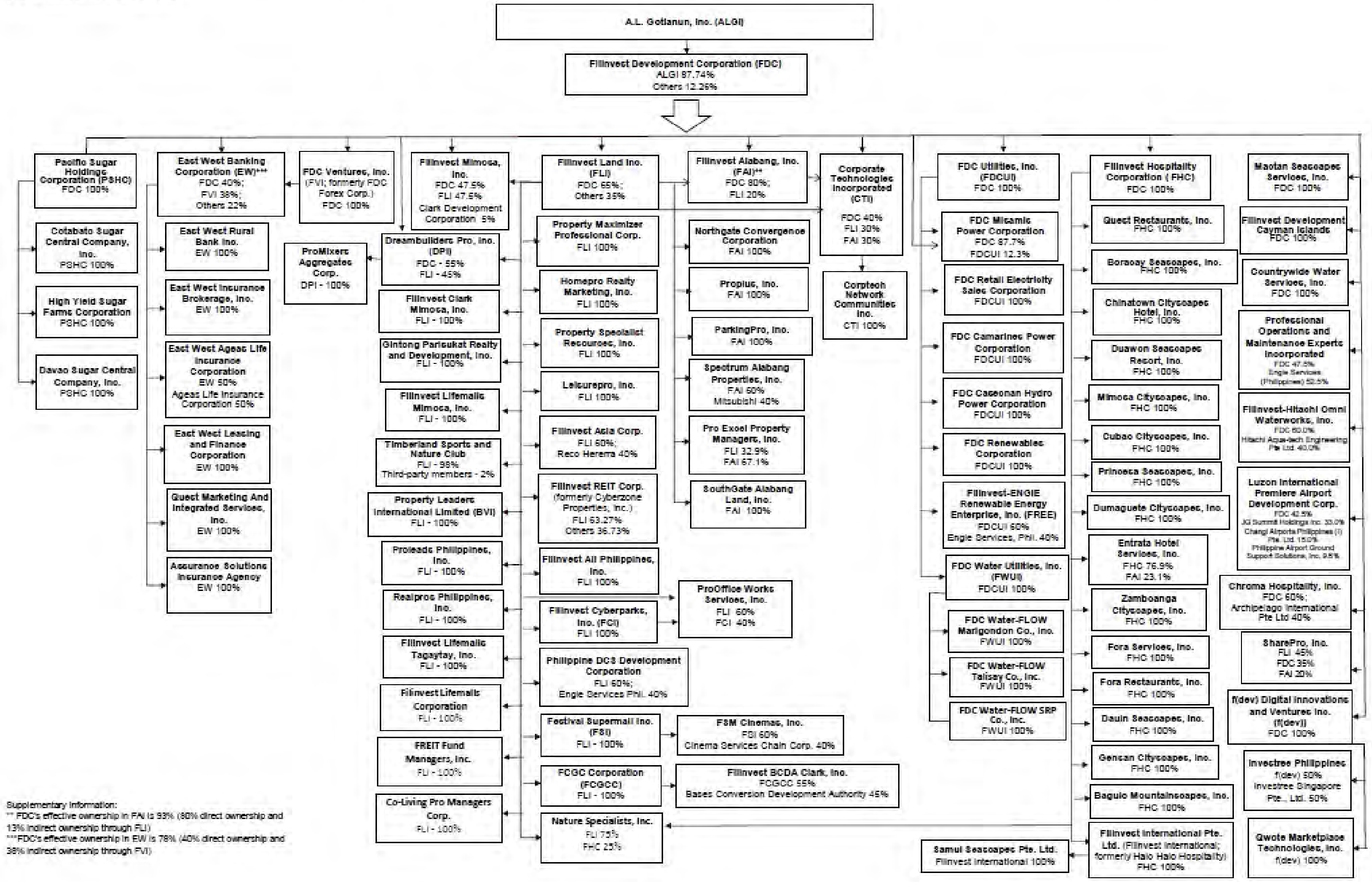
SUBSCRIBED AND SWORN to before me this 14th day of January 2022 in Mandaluyong City, Metro Manila, affiant exhibiting to me her Philippine Passport No. **P1622490B**, as competent evidence of her identity, bearing her photograph and signature, issued by the Department of Foreign Affairs Manila on May 8, 2019.

Doc. No. 11;
Page No. 4;
Book No. 2;
Series of 2022.

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0280-21 UNTIL DECEMBER 31, 2022
ROLL NO. [illegible]
IBP LIFETIME NO. 011302; 12-26-12; RIZAL
PTR NO. 4864524; 1-3-22; MANDALUYONG
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022
METRO MART COMPLEX, MANDALUYONG CITY

(c.) Conglomerate

A.L. GOTIANUN, INC.
MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT, CO-SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES
(As of December 31, 2021)



Part VII - 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:

4-12-2022

Signature: ______________________

Maricel Brion-Lirio

Title: President / CEO

Date:

4-12-2022

Signature: ______________________

Ana Venus A. Mejia

Title: Treasurer and Chief Finance Officer

Date:

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Hi CYBERZONE PROPERTIES INC,

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Transaction Code: **AFS-0-B8E5GKCC0NMXSVX2XQM4WSXMR0P24RSWNV**
Submission Date/Time: **Apr 13, 2022 10:41 AM**
Company TIN: **204-863-416**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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DISCLAIMER

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A2000-00652

COMPANY NAME

FILINVEST REIT CORP. (formerly Cyberzone Properties Inc.) AND SUBSIDIARY

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

5th-7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	SEC	N/A

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
13,067	May 30	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

5th-7th Floors Vector One Building, 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.*

CERTIFICATE OF ACKNOWLEDGMENT

EMBASSY OF THE PHILIPPINES)
Consular Section) S.S.
Singapore)

BEFORE ME **RENEE GAYLE M. CHUA, Vice Consul** of the Republic of the Philippines in and for Singapore, duly commissioned and qualified, personally appeared

LOURDES JOSEPHINE GOTIANUN YAP	PASSPORT P6722593B

known to me and to me known as the same person(s) who executed the annexed instrument

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

and acknowledged before me that the same was done as a free act and voluntary deed.

This instrument, consisting of 3 pages, including this page on which this acknowledgment is written, has been signed on the left margin of each and every page thereof by the same person(s) and witnesses.

The Embassy assumes no responsibility over the contents of the annexed document.

WITNESS MY HAND AND SEAL at the Embassy of the Philippines in Singapore this day of 18 March 2022

RENEE GAYLE M. CHUA
Vice Consul

Doc. No. : 3240
Book No. : 1
Series of : 2022
O.R. No. : GRATIS
Fee Paid : GRATIS

Filinvest REIT Corp.
5[th] to 7[TH] Floor Vector One Bldg. Northgate Cyberzone,
Filinvest City, Alabang, Muntinlupa
Tel. No. (632) 8-846-0278
www.filinvestreit.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Filinvest REIT Corp.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019 and as of December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error and making accounting estimates that are reasonable in the circumstances.

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

The Board of Director is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders or members before such statements are issued to the regulators, creditors and other users.

Sycip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of FRC in accordance with the Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit in its report to the stockholders or members.

Lourdes Josephine Gotianun Yap
Chairman of the Board

FILINVEST
REIT

Filinvest REIT Corp.
5th to 7th Floor Vector One Bldg. Northgate Cyberzone
Filinvest City, Alabang, Muntinlupa
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In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but do so.

The Board of Director is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders or members before such statements are issued to the regulators, creditors and other users.

Sycip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of FRC in accordance with the Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit in its report to the stockholders or members.

Lourdes Josephine Gotianun-Yap
Chairman of the Board

Maricel Brion Lirio
President/CEO

Ana Venus A. Mejia
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR 22 2022 day of ________ affiants exhibits to me their SSS ID and Passport as follows:

	SSS ID No.	Passport No.
L. Josephine G. Yap	03-46617474	
Maricel Brion Lirio	04-07020162	
Ana Venus A. Mejia		EC379[illegible]013

Doc. No. 350
Page No. 62
Book No. 12
Series of 2021.

JOVEN G. SEVILLANO
NOTARY PUBLIC [illegible]
COMMISSION [illegible]

FILINVEST

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Filinvest REIT Corp. (formerly Cyberzone Properties Inc.)
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Filinvest REIT Corp. (formerly Cyberzone Properties, Inc.) (the Parent Company) and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2021 and 2020, and its financial performance and its cash flows for the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Fair value of investment properties

The Parent Company operates 16 mixed-use office buildings located in Luzon. The Parent Company accounts for its investment properties using the cost model and discloses the fair value as required under PAS 40, *Investment Property*. The carrying value and fair value of investment properties amounted to ₱9,165.9 million and ₱45,429.7 million, respectively, as of December 31, 2021. Management determined the fair value of the investment properties based on the valuations carried out by an external valuer using the discounted cash flow model.

We identified the disclosure on fair value of the Parent Company's investment properties as a key audit matter because it is a significant disclosure given the Parent Company's leasing business and the determination of the fair values of these properties involves significant management assumptions and estimations. These assumptions include discount rates and growth rates, which are influenced by the prevailing market rates and comparable market transactions and subject to higher level of estimation uncertainty due to the current economic conditions.

The disclosures on the fair value of investment properties are included in Note 9 to the consolidated financial statements.

Audit Response

With the assistance from our internal valuation specialists, we evaluated the valuation methodology adopted and the underlying assumptions used in the fair value determination of investment properties as of December 31, 2021. These assumptions include discount rates and growth rates.

We compared the key assumptions used such as growth rates against the historical performance per building, contractual terms and relevant external data. We tested the parameters used in determining discount rates against market data. We evaluated the competence, capabilities and objectivity of the external valuer by considering their qualifications, experience and reporting responsibilities. We also assessed the adequacy of the fair value disclosure of investment properties in the consolidated financial statements.

Other Information

Management is responsible for Other Information. Other Information comprises the information included in SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 but does not include the consolidated financial statements and our auditor's report thereon. SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover Other Information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the Other Information identified above when it becomes available and, in doing so, consider whether such information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wanessa G. Salvador.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Tax Identification No. 248-679-852
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118546-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2020, January 31, 2020, valid until January 30, 2023
PTR No. 8854361, January 3, 2022, Makati City

March 15, 2022

**FILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.)
AND A SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 17)	**₱2,587,195,631**	₱870,517,532
Receivables (Note 5)	**754,995,633**	830,144,454
Other current assets (Note 11)	**64,054,931**	1,171,332,106
	3,406,246,195	2,871,994,092
Noncurrent assets held for distribution (Notes 6 and 16)	**–**	6,843,701,346
Total Current Assets	**3,406,246,195**	9,715,695,438
Noncurrent Assets		
Advances to contractors (Note 8)	**13,293,694**	18,393,179
Investment properties (Notes 6, 9 and 20)	**9,165,931,034**	11,629,804,872
Property and equipment (Note 10)	**81,686,898**	68,394,882
Intangible assets (Notes 6, 7 and 20)	**1,054,470,180**	3,408,827,424
Other noncurrent assets (Note 11)	**250,528,341**	388,417,886
Total Noncurrent Assets	**10,565,910,147**	15,513,838,243
Total Assets	**₱13,972,156,342**	₱25,229,533,681
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	**₱1,222,657,329**	₱1,583,711,747
Current portion of:		
Lease liabilities (Note 20)	**1,848,085**	92,617,060
Security and other deposits (Note 15)	**96,987,598**	116,414,891
Loans payable (Notes 13, 25 and 26)	**–**	744,166,667
Dividends payable (Note 16)	**–**	6,611,906,765
Total Current Liabilities	**1,321,493,012**	9,148,817,130
Noncurrent Liabilities		
Bonds payable (Notes 14, 25 and 26)	**5,987,044,949**	5,974,168,846
Lease liabilities - net of current portion (Note 20)	**25,990,097**	2,097,498,105
Security and other deposits - net of current portion (Note 15)	**654,002,829**	732,659,169
Loans payable - net of current portion (Notes 13, 25 and 26)	**–**	1,600,000,000
Deferred tax liability - net (Note 19)	**–**	269,939,889
Other noncurrent liabilities (Notes 15 and 18)	**–**	300,385,682
Total Noncurrent Liabilities	**6,667,037,875**	10,974,651,691
Total Liabilities	**7,988,530,887**	20,123,468,821
Equity		
Capital stock (Note 16)	**2,446,388,997**	1,163,426,668
Additional paid-in capital (Note 16)	**2,518,356,922**	102,900,666
Deposit for future stock subscription (Notes 13 and 16)	**–**	1,889,583,333
Retained earnings (Note 16)	**1,018,879,536**	1,950,125,348
Remeasurement gain (loss) on retirement plan (Note 18)	**–**	28,845
Total Equity	**5,983,625,455**	5,106,064,860
Total Liabilities and Equity	**₱13,972,156,342**	₱25,229,533,681

See accompanying Notes to Consolidated Financial Statements.

FILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.) AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020 (As restated, see Note 2)	2019 (As restated, see Note 2)
REVENUES			
Rental revenue (Notes 7, 9, 17 and 20)	**₱2,519,294,434**	₱2,833,413,910	₱2,814,668,936
Others (Notes 2 and 21)	**922,722,669**	1,048,582,442	924,548,323
	3,442,017,103	3,881,996,352	3,739,217,259
COSTS AND EXPENSES			
Depreciation and amortization (Notes 7, 9, 10, and 20)	**427,657,046**	486,065,150	418,797,652
Utilities	**277,795,323**	297,548,444	332,257,377
Rental expense (Notes 17 and 20)	**271,083,960**	297,968,918	305,153,634
Manpower and service cost	**235,494,750**	236,408,736	241,837,292
Repairs and maintenance	**183,504,663**	132,787,546	162,585,686
Taxes and licenses	**95,353,896**	118,895,084	67,544,321
Service and management fees (Note 17)	**63,754,897**	42,644,409	27,393,465
Insurance	**15,915,467**	4,019,860	11,199,434
Provision for expected credit loss (Note 5)	**7,417,014**	–	–
Others	**10,433,134**	9,034,919	6,035,723
	1,588,410,150	1,625,373,066	1,572,804,584
OTHER INCOME (CHARGES)			
Gain on derecognition of lease liabilities	**189,183,041**	5,842,526	–
Interest income (Notes 4, 5, 17 and 22)	**9,986,396**	3,908,966	10,468,164
Interest and other financing charges (Notes 13, 14 and 20)	**(348,226,313)**	(351,361,074)	(230,520,294)
Gain on sale of investment property (Notes 7 and 20)	**–**	65,038,584	–
Other charges - net	**(1,411,852)**	(2,319,005)	(2,576,278)
	(150,468,728)	(278,890,003)	(222,628,408)
INCOME BEFORE INCOME TAX	**1,703,138,225**	1,977,733,283	1,943,784,267
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)			
Current	**117,651,935**	231,150,026	189,580,926
Deferred	**(269,648,113)**	(114,258,532)	119,807,959
	(151,996,178)	116,891,494	309,388,885
NET INCOME	**1,855,134,403**	1,860,841,789	1,634,395,382
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified to profit or loss			
Remeasurement loss on retirement plan, net of tax (Note 19)	–	(1,055,090)	–
TOTAL COMPREHENSIVE INCOME	**₱1,855,134,403**	₱1,859,786,699	₱1,634,395,382
Basic/Diluted Earnings Per Share (Note 23)	**₱0.53**	₱0.80	₱0.70

See accompanying Notes to Consolidated Financial Statements.

FILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.) AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Deposit for Future Stock Subscription (Note 16)	Appropriated Retained Earnings (Note 16)	Unappropriated Retained Earnings (Note 16)	Remeasurement Gain/(Loss) on Retirement Plan (Note 18)	Total
			For the Year Ended December 31, 2021				
Balances at January 1, 2021	₱1,163,426,668	₱102,900,666	₱1,889,583,333	₱–	₱1,950,125,348	₱28,845	₱5,106,064,860
Comprehensive income							
Net income	–	–	–	–	1,855,134,403	–	1,855,134,403
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	1,855,134,403	–	1,855,134,403
Reclassification of remeasurement to retained earnings					28,845	(28,845)	–
Property dividends declared	–	–	–	–	(1,690,426,790)	–	(1,690,426,790)
Cash dividends declared	–	–	–		(1,095,982,270)		(1,095,982,270)
Additional deposit for future stock subscription	–	–	1,856,666,667	–	–	–	1,856,666,667
Application of deposit for future stock subscription and issuance of shares	1,282,962,329	2,463,287,671	(3,746,250,000)	–	–	–	–
Stock issuance and transaction cost	–	(47,831,415)	–	–	–	–	(47,831,415)
Balances at December 31, 2021	₱2,446,388,997	₱2,518,356,922	₱–	₱–	₱1,018,879,536	₱–	₱5,983,625,455
			For the Year Ended December 31, 2020				
Balances at January 1, 2020	₱1,163,426,668	₱102,900,666	₱–	₱6,300,000,000	₱401,190,324	₱1,083,935	₱7,968,601,593
Comprehensive income							
Net income	–	–	–	–	1,860,841,789	–	1,860,841,789
Other comprehensive income	–	–	–	–	–	(1,055,090)	(1,055,090)
Total comprehensive income	–	–	–	–	1,860,841,789	(1,055,090)	1,859,786,699
Property dividends declared	–	–	–	–	(6,611,906,765)	–	(6,611,906,765)
Reversal of appropriation	–	–	–	(6,300,000,000)	6,300,000,000	–	–
Deposit for future subscription		–	1,889,583,333	–	–	–	1,889,583,333
Balances at December 31, 2020	₱1,163,426,668	₱102,900,666	₱1,889,583,333	₱–	₱1,950,125,348	₱28,845	₱5,106,064,860
			For the Year Ended December 31, 2019				
Balances at January 1, 2019	₱1,163,426,668	₱102,900,666	₱–	₱5,000,000,000	₱415,134,676	₱1,083,935	₱6,682,545,945
Comprehensive income							
Net income	–	–	–	–	1,634,395,382	–	1,634,395,382
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	1,634,395,382	–	1,634,395,382
Cash dividends declared	–	–	–	–	(348,339,734)	–	(348,339,734)
Appropriation	–	–	–	1,300,000,000	(1,300,000,000)	–	–
Balances at December 31, 2019	₱1,163,426,668	₱102,900,666	₱–	₱6,300,000,000	₱401,190,324	₱1,083,935	₱7,968,601,593

See accompanying Notes to Consolidated Financial Statements.

FILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.) AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,703,138,225**	₱1,977,733,283	₱1,943,784,267
Adjustments for:			
Depreciation and amortization (Notes 6, 7, 9, 10, and 20)	**427,657,046**	486,065,150	418,797,652
Interest expense and other financing changes (Notes 13, 14 and 20)	**348,226,313**	351,361,074	230,520,294
Gain on derecognition of lease liability (Note 20)	**(189,183,041)**	(5,842,526)	–
Interest income (Note 4, 17 and 22)	**(9,986,396)**	(3,908,966)	(10,468,164)
Gain on sale of investment properties (Note 9)	–	(65,038,584)	–
Pension expense (Note 18)	–	487,197	413,785
Operating income before changes in operating assets and liabilities	**2,279,852,147**	2,740,856,628	2,583,047,834
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	**75,148,821**	(54,648,565)	(248,456,384)
Other current assets	**313,848,363**	(200,426,188)	(210,446,398)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(22,599,962)**	(191,226,805)	(144,925,151)
Other current liabilities	–	(129,337,085)	81,056,737
Security and other deposits	**(98,083,633)**	25,187,166	65,066,932
Other noncurrent liabilities	**(300,385,682)**	97,504,469	153,409,376
Net cash generated from operations	**2,247,780,054**	2,287,909,620	2,278,752,946
Interest received (Note 4)	**9,986,396**	3,908,966	10,468,164
Income tax paid	**(117,680,780)**	(231,583,519)	(197,650,866)
Net cash provided by operating activities	**2,140,085,670**	2,060,235,067	2,091,570,244
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale and assignment of:			
Investment properties (Notes 6 and 9)	**615,458,031**	737,840,581	–
Intangible assets (Notes 6 and 7)	**971,793,929**	–	–
ProOffice Work Services, Inc. (Note 1)	–	17,162,936	–
Additions to:			
Investment properties (Notes 6 and 9)	**(413,237,259)**	(1,158,021,511)	(2,163,580,071)
Intangible assets (Notes 6 and 7)	**(152,341,910)**	(241,043,644)	(172,480,426)
Property and equipment (Note 10)	**(30,219,374)**	(16,760,634)	(39,207,659)
Decrease (increase) in:			
Advances to contractors	**5,099,485**	97,551,319	(156,317,788)
Other noncurrent assets (Note 11)	**5,493,291**	88,011,202	(32,676,043)
Net cash provided by (used in) investing activities	**1,002,046,193**	(475,259,751)	(2,564,261,987)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from availments of loans payable (Note 13)	–	1,000,000,000	2,100,000,000
Payments of:			
Cash dividends (Note 16)	**(1,095,982,270)**	(348,339,734)	–
Principal portion of lease liabilities (Note 20)	**(14,397,140)**	(47,613,247)	(17,259,680)
Interest and transaction cost (Note 20)	**(315,074,354)**	(471,907,571)	(479,482,496)
Loans payable (Notes 13 and 25)	–	(1,355,454,545)	(1,339,242,424)
Net cash provided by (used in) financing activities	**(1,425,453,764)**	(1,223,315,097)	264,015,400
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,716,678,099**	361,660,219	(208,676,343)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**870,517,532**	508,857,313	717,533,656
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,587,195,631**	₱870,517,532	₱508,857,313

See accompanying Notes to Consolidated Financial Statements.

FILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.) AND A SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Filinvest REIT Corp. (formerly Cyberzone Properties, Inc.) (the "Parent Company" or "FILRT") was registered with the Philippine Securities and Exchange Commission (SEC) on January 14, 2000.

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

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

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

Approval of the Consolidated Financial Statements
The consolidated financial statements were approved and authorized for issue by the BOD on March 15, 2022.

2. Summary of Significant Accounting Policies

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

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

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).

Basis of Consolidation
The consolidated financial statements comprise the amounts of the Parent Company and its subsidiary as of December 31, 2021 and 2020.

The voting rights held by CPI in ProOffice are in proportion to its ownership interest of 60% as of December 31, 2019 (nil as of December 31, 2021 and 2020; see Note 1).

ProOffice is incorporated and operating in the Philippines. The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company using consistent accounting policies.

A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee, and, (c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and, (c) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained

<u>Noncontrolling Interest</u>
Noncontrolling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

The voting rights held by noncontrolling interests in the subsidiary are in proportion of their ownership interest and are not material in the consolidated financial statements.

<u>Changes in Accounting Policies and Disclosures</u>
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, 2021. 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 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic.

A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

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

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

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

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

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

  The 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, *Revenue from Contracts with Customers* affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA charges wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020. The deferral will only be applicable for real estate transactions.

The 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 Group's consolidated statement of financial position and consolidated statement of cash flows. The impact of initial adoption in the consolidated statement of comprehensive income follows:

Statement of comprehensive income for the year ended December 31, 2020

	Amounts prepared under		
	PFRS 15	Previous PFRS	Increase
Revenues and Income			
Others	₱1,048,582,442	₱274,359,236	₱774,223,206
Cost and Expenses			
Depreciation and amortization	486,065,150	441,025,865	45,039,285
Utilities	297,548,444	–	297,548,444
Manpower and service cost	236,408,736	34,502,895	201,905,841
Repairs and maintenance	132,787,546	–	132,787,546
Taxes and licenses	118,895,084	63,894,241	55,000,843
Service and management fees	42,644,409	7,462,542	35,181,867
Insurance	4,019,860	–	4,019,860
Others	9,034,919	6,295,399	2,739,520

Statement of comprehensive income for the year ended December 31, 2019

	Amounts prepared under		
	PFRS 15	Previous PFRS	Increase
Revenues and Income			
Others	₱924,548,323	₱87,055,910	₱837,492,413
Cost and Expenses			
Depreciation and amortization	418,797,652	372,223,885	46,573,767
Utilities	332,257,377	–	332,257,377
Manpower and service cost	241,837,292	13,362,142	228,475,150
Repairs and maintenance	162,585,686	–	162,585,686
Taxes and licenses	67,544,321	28,326,728	39,217,593
Service and management fees	27,393,465	14,070,865	13,322,600
Insurance	11,199,434	–	11,199,434
Others	6,035,723	2,174,917	3,860,806

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, *Business Combinations, Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *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 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

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

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Group.

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

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

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

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

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

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

Effective beginning on or after January 1, 2024

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Consolidated Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

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

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020.

  On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of the following provisions of this PIC Q&A until December 31, 2023.
  - Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)
  - Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E

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

  a. The accounting policies applied.
  b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.

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

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

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

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

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

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

  The IFRIC Agenda Decision has no impact to the 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 consolidated 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.

<u>Financial Instruments</u>
Financial assets and liabilities are recognized in the consolidated 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.

<u>Recognition and Measurement of Financial Instruments</u>
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 consolidated 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 (see Notes 4 and 5).

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 (see Notes 12, 13, 14, 15 and 17).

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 consolidated 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 consolidated statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset, and the net amount reported in the consolidated 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 consolidated 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 consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated 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 consolidated 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.

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 consolidated statement of comprehensive income 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 consolidated 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 consolidated 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 consolidated statement of comprehensive income when the asset is derecognized.

Other Assets
Other current and noncurrent assets are recognized in the consolidated 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
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 program 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, 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.

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

The Group presents the noncurrent assets classified as held for distribution through property dividend or reimbursement separately from other assets as "Noncurrent assets held for distribution" in the consolidated statement of financial position. The liabilities related to the disposal group classified as held for distribution are presented separately from other liabilities as "Liabilities directly related to noncurrent assets held for distribution" in the consolidated 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 consolidated 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.

Net Asset Value (NAV) Per Share
The NAV per share is calculated by dividing the adjusted NAV by the total outstanding shares of the Parent Company. The adjusted NAV is equal to total assets plus the fair value adjustment of deposited properties and investible funds held by the Parent Company less total liabilities (see Note 16).

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

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

Common usage service area charges
Common usage service area charges are recognized when the related services are rendered. The 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 profit or loss. 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 profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in 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 consolidated 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 profit or loss.

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

Group 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.

Group 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 profit or loss.

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 December 31, 2021 and 2020 (see Note 24).

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. These 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 consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates, and Assumptions

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.

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

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

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 (see Note 20).

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 (see Note 20).

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 consolidated statement of financial position (see Note 7).

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 (see Note 11).

Classification of noncurrent assets held for distribution
As of December 31, 2020, the Parent Company has noncurrent assets held for distribution amounting to ₱6,843.7 million related to property dividends declared by the Parent Company (nil as of December 31, 2021). The Parent Company assessed that the distribution of these investment properties, by way of property dividends and reimbursement from FLI, is highly probable considering that actions to complete the distribution have been initiated and are expected to be completed within one year. These investment properties will be derecognized in the consolidated financial statements once the SEC approves the distribution of the dividends and the Parent Company is compensated for the additions made from date of declaration to the date of distribution.

On July 15, 2021, the SEC approved the property dividend declaration and the Parent Company was compensated for additions subsequent to date of declaration. Refer to Notes 6 and 16 for the related disclosures on noncurrent assets held for distribution and directly related liabilities.

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 the COVID-19 pandemic has no impact and is not considered as an impairment indicator in the impairment assessment of nonfinancial assets. As of December 31, 2021 and 2020, no impairment indicators were identified for the Group's nonfinancial assets (see Notes 7, 9 and 20).

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. For instance, if forecast economic conditions (i.e., GDP, inflation) are expected to deteriorate over the next year which can lead to an increase in the rental rates, the historical default rates are adjusted. 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 also considers the security deposit and advance rentals available to cover exposure to credit loss. As of December 31, 2021, and 2020, the Group's allowance for ECL on its trade receivables amounted to ₱7.7 million and ₱0.3 million, respectively (see Note 5).

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. The Group believes that it will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized.

As of December 31, 2021, the Group made an assessment that it will effectively operate as an income tax-free entity and as such, has not recognized any deferred tax assets. As of December 31, 2020, deferred tax assets amounted to ₱269.2 million (see Note 19).

4. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand and in banks	**₱515,722,841**	₱602,644,513
Cash equivalents	**2,071,472,790**	267,873,019
	₱2,587,195,631	₱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 0.25% to 1.25% and 0.10% to 3.75% for the period ending December 31, 2021 and 2020 respectively.

Interest earned from cash and cash equivalents amounted to ₱6.3 million, ₱3.9 million and ₱8.4 million in 2021, 2020 and 2019 respectively (see Note 22).

There is no restriction on the Group's cash and cash equivalents as of December 31, 2021 and 2020.

5. Receivables

This account consists of:

	2021	2020
Trade receivables (Note 17)	**₱730,984,104**	₱799,278,543
Advances to officers and employees	**31,713,801**	29,632,452
Others	**–**	1,518,717
	762,697,905	830,429,712
Less allowance for ECL	**7,702,272**	285,258
	₱754,995,633	₱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 rent paid by the lessees. All overdue and unpaid rent, dues and charges are subject to interest at 18% per annum and penalty of 24% per annum. Interest and penalties from late payments amounted to ₱3.6 million, nil, and ₱2.0 million for the period ended December 31, 2021, 2020, and 2019, respectively (see Note 22).

In 2021, the Group has recognized provision for ECL on its trade receivables. Movement in the Group's allowance for ECL follow:

	2021	2020
At January 1	**₱285,258**	₱285,258
Provisions	**7,417,014**	–
At December 31	**₱7,702,272**	₱285,258

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.

Others include advances of real property tax on land leased by the Group subject to reimbursement.

6. Noncurrent Assets Held for Distribution

This account consists of:

	2021	2020
Net book value of investment properties		
Investment properties declared as property dividends (Notes 9 and 16)	**₱6,914,270,136**	₱6,611,906,765
Additions to construction in progress	**570,628,432**	231,794,581
Right of use assets (Notes 9 and 20)	**54,463,438**	–
Net book value of intangible assets		
BTO rights declared as property dividends (Notes 7 and 16)	**1,388,063,419**	–
Additions to BTO rights	**5,669,692**	
Right of use assets (Notes 7 and 20)	**27,505,758**	–
Derecognition of noncurrent assets held for distribution (Note 16)	**(8,960,600,875)**	–
	₱–	₱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, net of depreciation and amortization, declared as property dividends from the date of declaration up to July 15, 2021 subject to reimbursement by FLI, and the related right of use assets for the land subleased by the Parent Company where these properties were constructed.

The SEC issued the certificate of filing the notice of the property dividend declaration for the noncurrent assets held for distribution on July 15, 2021 and subsequently these assets were distributed to FLI and derecognized in the consolidated financial statements.

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 (see Note 3).

"BTO rights" relate to the development cost, construction and operation of BPO Complex at the land properties owned by Cebu Province. As of December 31, 2021 and 2020, cost of completed portion pertaining to Cebu Towers 1 of the BTO project amounted to ₱1.3 billion.

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

The rollforward analysis of intangible assets follows:

	2021		
	BTO Rights	**Right-of-Use Assets (Note 20)**	**Total**
Cost			
Balance at beginning of period	**₱3,576,270,821**	**₱112,423,917**	**₱3,688,694,738**
Additions	**146,672,218**	**–**	**146,672,218**
Reclassification (Note 6)	**(1,430,406,718)**	**(30,115,793)**	**(1,460,522,511)**
Derecognition (Note 17)	**(966,124,237)**	**(60,231,586)**	**(1,026,355,823)**
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	**57,169,464**	**1,485,377**	**58,654,841**
Reclassification (Note 6)	**(36,673,607)**	**(2,610,035)**	**(39,283,642)**
Derecognition (Note 17)	**–**	**(5,220,071)**	**(5,220,071)**
Balance at end of period	**291,369,257**	**2,649,185**	**294,018,442**
Net Book Value	**₱1,035,042,827**	**₱19,427,353**	**₱1,054,470,180**

	2020		
	BTO Rights	Right-of-Use Assets (Note 20)	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 (Notes 9 and 10)	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 (Notes 9 and 10)	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

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 February 26, 2021, the Parent Company and FLI executed deed of assignment of rights for the transfer of the properties. Hence, the cost of these properties, including the related right-of use assets and lease liabilities, were derecognized (see Note 17).

The derecognition of the right-of-use assets and lease liabilities amounting ₱82.5 million and ₱112.3 million, respectively, resulted to gain on derecognition of lease liabilities presented in the consolidated statement of comprehensive income amounting ₱30.4 million in 2021 (see Note 20).

Rental income recognized arising from the BTO agreement amounted to ₱207.9 million, ₱215.5 million, and ₱193.3 million in 2021, 2020, and 2019, respectively.

Tenant dues from BTO rights amounted to ₱72.9 million, ₱92.0 million, ₱89.3 million in 2021, 2020, and 2019 respectively (see Note 21).

Operating expenses incurred for maintaining and operating these assets amounted to ₱93.7 million, ₱126.4 million, and ₱93.2 million in 2021, 2020, and 2019 respectively. In 2019, the capitalized amortization of right-of-use assets amounted to ₱4.5 million (nil in 2021 and 2020).

Borrowing costs capitalized on the BTO project amounted to ₱4.3 million, ₱81.8 million, and ₱104.4 million in 2021, 2020, and 2019, respectively (see Notes 13 and 14). The capitalization rates used in 2021, 2020, and 2019 range from 4.0% to 5.2%.

Contractual obligations to acquire and construct intangible assets amounted to nil and ₱1,500.0 million as of December 31, 2021 and 2020, respectively.

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 ₱13.3 million and ₱18.4 million as of December 31, 2021 and 2020, respectively.

9. Investment Properties

The rollforward analyses of this account follows:

	2021					
	Land	**Buildings and Improvement**	**Construction in-progress**	**Right-of-use asset (Note 20)**	**Others**	**Total**
Cost						
Balance at beginning of period	**₱–**	**₱11,953,070,219**	**₱–**	**₱1,946,930,753**	**₱158,204,744**	**₱14,058,205,716**
Additions	**–**	**60,686,413**	**–**	**–**	**13,716,995**	**74,403,408**
Derecognition (Note 20)	**–**	**–**	**–**	**(1,884,771,395)**	**(44,191,728)**	**(1,928,963,123)**
Reclassification (Notes 6 and 16)	**–**	**(528,355,502)**	**–**	**(62,159,358)**	**–**	**(590,514,860)**
Balance at end of period	**–**	**11,485,401,130**	**–**	**–**	**127,730,011**	**11,613,131,141**
Accumulated Depreciation						
Balance at beginning of period	**–**	**2,339,348,223**	**–**	**39,188,512**	**49,864,109**	**2,428,400,844**
Depreciation	**–**	**267,057,842**	**–**	**11,286,856**	**28,900,550**	**307,245,248**
Derecognition (Note 20)	**–**	**–**	**–**	**(42,779,448)**	**(11,978,486)**	**(54,757,934)**
Reclassification (Notes 6 and 16)	**–**	**(225,992,131)**	**–**	**(7,695,920)**	**–**	**(233,688,051)**
Balance at end of period	**–**	**2,380,413,934**	**–**	**–**	**66,786,173**	**2,447,200,107**
Net Book Value	**₱–**	**9,104,987,196**	**₱–**	**₱–**	**₱60,943,838**	**₱9,165,931,034**

	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 (Note 20)	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 (Note 20)	–	–	–	(264,490,746)	–	(264,490,746)
Reclassification (Notes 7, 10 and 16)	(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

(Forward)

	2020					
	Land	Buildings and Improvement	Construction in-progress	Right-of-use asset (Note 20)	Others	Total
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 (Note 20)	–	–	–	(3,396,956)	–	(3,396,956)
Reclassification (Notes 7, 10 and 16)	–	(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, ₱177.5 million, and ₱180.3 million for the period ended December 31, 2021, 2020, and 2019, respectively (see Notes 13 and 14). The capitalization rates used range from 4.0% to 5.6%, 4.0% to 5.5%, and 4.0% to 5.5% in 2021, 2020, and 2019, respectively.

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.

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

Rental income from investment properties amounted to ₱2,311.4 million, ₱2,617.9 million, and ₱2,621.4 million in 2021, 2020, and 2019, respectively. Tenant dues from investment properties amounted to ₱796.5 million, ₱907.3 million and ₱793.7 million in 2021, 2020, and 2019 respectively (see Note 21).

Operating expenses incurred for maintaining and operating these investment properties amounted to ₱1,067.0 million, ₱1,018.8 million, and ₱1,268.8 million in 2021, 2020, and 2019, respectively.

Contractual obligations to acquire investment properties amounted to nil and ₱1,500.0 million as of December 31, 2021 and, 2020, respectively. As of December 31, 2021, investment properties are not used as collateral and is not subject to any existing liens and encumbrances.

10. Property and Equipment

The rollforward analysis of this account follows:

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

	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 December 31, 2021 and 2020, property and equipment is not used as collateral and is not subject to any encumbrances.

11. Other Assets

Other current assets consist of:

	2021	2020
Creditable withholding tax	**₱23,411,881**	₱94,649,221
Input VAT - net	**12,596,885**	986,282,331
Prepayments	**8,500,982**	68,233,324
Others	**19,545,183**	33,658,745
	64,054,931	1,182,823,621
Less noncurrent portion of input VAT	**–**	11,491,515
	₱64,054,931	₱1,171,332,106

Input 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.

Other noncurrent assets consist of:

	2021	2020
Prepaid DCS connection charges (Note 17)	**₱197,031,019**	₱336,023,216
Deposits	**53,497,322**	40,903,155
Input VAT - noncurrent portion	**–**	11,491,515
	₱250,528,341	₱388,417,886

Prepaid DCS connection charge is amortized using straight line method based on the contract period of connection. Amortization of connection fee amounting to ₱6.6 million, ₱16.2 million and ₱15.0 million in 2021, 2020 and 2019, respectively is presented as "Others" in the consolidated statement of comprehensive income.

The rollforward analysis of Prepaid DCS connection charge follows:

	2021	2020
Cost		
Balance at beginning of year	**₱382,860,734**	₱316,250,070
Additions (Note 17)	**–**	66,610,664
Derecognition (Note 17)	**(135,183,308)**	–
Balance at end of year	**247,677,426**	382,860,734
Accumulated Amortization		
Balance at beginning of year	**46,837,518**	30,672,764
Amortization	**6,595,943**	16,164,754
Derecognition (Note 17)	**(2,787,054)**	–
Balance at end of year	**50,646,407**	46,837,518
Net Book Value	**₱197,031,019**	₱336,023,216

In 2021, the Group derecognized prepaid DCS pertaining to property dividends distributed to FLI (see Note 17).

Deposits pertain to electric meter deposits and security deposits.

12. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Advances from tenants	**₱477,748,494**	₱566,558,897
Accrued expenses (Note 17)	**254,501,467**	262,209,073
Payable to suppliers	**140,045,076**	121,453,381
Accrued interest payable (Notes 13 and 14)	**102,221,010**	113,036,580
Due to related parties (Note 17)	**86,102,391**	181,541,991
Payable to contractors (Note 9)	**84,857,304**	123,491,053
Withholding taxes payable	**48,507,499**	38,206,363
Retention payable - current portion (Note 15)	**28,674,088**	177,214,409
	₱1,222,657,329	₱1,583,711,747

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

Payable to contractors arises from progress billings received from contractors for the construction costs incurred by the Group.

Accrued interest payable pertains to accrual of interest of bonds and loans outstanding as at year end.

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

13. Loans Payable

As of December 31, 2020, this account consists of (nil as of December 31, 2021):

Developmental loans from local banks (Note 16)	₱2,344,166,667
Less current portion of loans payable	744,166,667
Noncurrent portion of loans payable	₱1,600,000,000

These loans are obtained to finance the construction of buildings for rental. Developmental loans from local banks will mature on various dates up to 2024. These peso-denominated loans bear floating interest rates equal to 91-day PDST-F rate plus a spread of 1% per annum, prevailing market rate, or fixed interest rates of 4.00% to 5.22% per annum.

Loans availed by the Group for the years ended December 31, 2021, 2020, and 2019 amounted to nil, ₱1,000.0 million, and ₱2,100.0 million respectively. Principal payments made in 2020 amounted to ₱984.6 million, nil in 2021 (see Note 27).

Capitalized interest expense relating to loans payable amounted to ₱10.0 million, ₱133.4 million, and ₱72.6 million in 2021, 2020, and 2019 respectively (see Notes 7 and 9). The capitalization rates used in 2021, 2020 and 2019 ranges from 4.0% to 5.6%.

Total interest expense charged to the consolidated statements of comprehensive income amounted to ₱7.9 million, ₱81.6 million, and ₱105.5 million in 2021, 2020, and 2019 respectively.

On December 9, 2020, the Parent Company and FLI entered into an agreement for the assignment of the Parent Company's developmental loans outstanding as of November 30, 2020 amounting to ₱4,233.8 million. On December 9, 2020, the Parent Company notified the banks in writing of the assignment of loans.

As of December 31, 2021, the Parent Company received the letters of consent from all the banks authorizing the assignment of the loans to FLI. As of December 31, 2021, total loans payable assigned to FLI and derecognized in the consolidated statement of financial position amounted to ₱3,863.0 million, inclusive of amounts derecognized as of December 31, 2020 amounting to ₱1,518.8 million.

In December 2020, FLI also paid total principal installment due amounting to ₱370.8 million on behalf of the Parent Company. The principal installment paid by FLI and the portion of the derecognized loans were recognized as deposit for future stock subscription as of December 31, 2020 (see Note 16).

The Group's loans payable is 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 December 31, 2021, and 2020, the Group is not in breach of these covenants and has not been cited in default on any of its outstanding obligation.

14. Bonds Payable

On July 7, 2017, the Group issued fixed rate bonds with aggregate principal amount of ₱6,000.0 million and term of five and a half (5.5) years from the issue date or in January 2023. The fixed rate is 5.05% per annum, payable quarterly in arrears starting October 7, 2017. As of December 31, 2021 and 2020, the outstanding balance of bonds payable amounted to ₱5,987.0 million and ₱5,974.2 million, respectively.

The bonds are redeemable at 100% of face value on maturity date, which is January 7, 2023, unless the Group exercises its early redemption option. Interest expense which was capitalized relating to bonds payable amounted to nil, ₱108.8 million, and ₱212.1 million in 2021, 2020, and 2019, respectively (see Notes 7 and 9).

Total interest expense charged to the consolidated statements of comprehensive income amounted to ₱307.2 million, ₱199.2 million, and ₱95.2 million in 2021, 2020, and 2019, respectively.

Unamortized debt issuance cost on bonds payable amounted ₱13.0 million and ₱25.8 million as of December 31, 2021 and 2020, respectively. Amortization of transaction costs included under "Interest and other financing charges" in the consolidated statements of comprehensive income amounted to ₱12.9 million, ₱12.8 million and ₱12.7 million in 2021, 2020, and 2019, respectively.

The bonds require the Group to maintain a maximum debt-to-equity ratio of 2.33x and minimum debt service coverage ratio of 1.1x. As of December 31, 2021, and 2020, the Group is not in breach of these financial covenants and has not been cited in default on any of its outstanding obligation.

15. Other 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:

	2021	2020
Current portion	**₱96,987,598**	₱116,414,891
Noncurrent portion	**654,002,829**	732,659,169
	₱750,990,427	₱849,074,060

Other noncurrent liabilities
As of December 31, 2020, this account consists of (nil as of December 31, 2021):

Retention payable - net of current portion	₱296,558,325
Retirement liabilities (Note 18)	3,827,357
	₱300,385,682

16. Equity

Paid-up Capital
Details of the Parent Company's capital stock as of December 31 follow:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Authorized number of shares				
Balances at beginning of year	**4,000,000,000**	**₱2,000,000,000**	2,000,000,000	₱2,000,000,000
Increase in authorized capital stock (a)	**5,131,849,000**	**5,131,849,000**	–	–
Stock split	**5,131,849,000**	–	2,000,000,000	–
Balances at end of year	**14,263,698,000**	**₱7,131,849,000**	4,000,000,000	₱2,000,000,000

	2021		2020	
	Shares	**Amount**	Shares	Amount
Issued and outstanding				
Balances at beginning of year	**2,326,853,336**	**₱1,163,426,668**	1,163,426,668	₱1,163,426,668
Issuance of new shares	**1,282,962,329**	**1,282,962,329**	–	–
Stock split	**1,282,962,329**	–	1,163,426,668	–
Balances at end of year	**4,892,777,994**	**₱2,446,388,997**	2,326,853,336	₱1,163,426,668

The NAV per share as of December 31, 2021 is ₱9.07.

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 (see Note 13).

As of December 31, 2020, deposit for future stock subscription amounted to ₱1,889.6 million, respectively, inclusive of the assigned loans payable amounting to ₱1,518.8 million and principal installments on loans paid by FLI on behalf of the Parent Company prior to assignment of loans in December 2020 amounting to ₱370.8 million (see Note 13).

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 ₱2,000.0 million divided into 2,000.0 million common shares with a par value of ₱1.00 per share to ₱7,131.8 million divided into 14,263,698,000 common shares with a par value of ₱0.50 per share (see Note 23).

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

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

As of December 31, 2021, there are 13,067 holders of security of the Parent Company.

Retained Earnings

Appropriation

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

Declaration of Property Dividends
On February 11, 2021, the BOD approved the declaration of the operational office buildings FLI Edsa, IT School, Concentrix Building (Convergys Building) and Cebu Tower 2 as property dividends. The aggregate carrying value of the properties amounted to ₱1,690.4 million (see Note 6).

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 (see Note 6).

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

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

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

After reconciling items, the Group's retained earnings available for dividend declaration as of December 31, 2021 and 2020 amounted to ₱1,018.9 million and ₱1,680.9 million, respectively.

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

	2021	2020
a. Dividends	**₱2,786,409,060**	₱6,611,906,765
b. Weighted average number of outstanding common shares	**3,514,911,602**	1,163,426,668
Dividends per share (a/b)	**₱0.79**	₱5.68

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

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

The following table shows how the Group computes for its debt-to-equity ratio:

	2021	2020
Bonds payable (Note 14)	**₱5,987,044,949**	₱5,974,168,846
Lease liabilities (Note 20)	**27,838,182**	2,190,115,165
Loans payable (Note 13)	**–**	2,344,166,667
	6,014,883,131	10,508,450,678
Equity	**5,982,498,127**	5,106,064,860
Debt-to-equity ratio	**1.01:1**	2.06:1

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

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

17. 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 December 31, 2021 and 2020 are unsecured, interest free and require settlement in cash, unless otherwise stated. As of December 31, 2021 and 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.

A summary of the Group's related party transactions are shown in the table below:

	2021				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Bank under common control					
Cash and cash equivalents	**₱2,219,841,487**	**₱2,219,841,487**	0.1010% to 3.75%	No impairment	17 (a)
Interest income	**4,062,940**	–			
	₱2,223,904,427	**₱2,219,841,487**			
Trade receivables (Note 5)					
Parent Company					
Rental revenue	**₱25,827,386**	**₱4,140,316**	Noninterest-bearing; due and demandable	Unsecured	17 (b)
Affiliate					
Rental revenue	**96,513,930**	**29,374,766**	Noninterest-bearing; collectible every 20th day of the month	Unsecured	17 (b)
Service fee income (Note 21)	**31,381,132**	–	Noninterest-bearing	Unsecured	17 (b)
Commission income (Note 21)	–	–	Noninterest-bearing	Unsecured	17 (d)
	₱153,722,448	**₱33,515,082**			
Other Noncurrent Asset					
Affiliate					
DCS connection charge (Note 11)	**(148,925,007)**	**₱203,626,962**		No impairment	17 (f)
Connection fees (Note 11)	**(9,568,811)**	**(6,595,943)**			
	(₱138,992,197)	**₱197,031,019**			
Accounts payable and accrued expenses (Note 12)					
Parent Company					
Rental expense	**(₱41,183,886)**	**(₱41,183,886)**	Noninterest-bearing; payable on demand	Unsecured	17 (c)
Affiliate					
Service and energy fees	**(12,276,703)**	**(34,050,962)**	Noninterest-bearing	Unsecured	17 (f)
Affiliate					
Service fee	**(9,925,905)**	**(4,024,132)**	Noninterest-bearing; payable on demand	Unsecured	17 (d)
Management fee, manpower cost and others	**(6,843,411)**	**(6,843,411)**	Noninterest-bearing; payable on demand	Unsecured	17 (d)
	(₱70,229,905)	**(₱86,102,391)**			
Lease liabilities					
Parent Company					
Lease liabilities (Note 20)	**(₱2,162,276,983)**	**₱–**	Noninterest-bearing; payable	Unsecured	17 (c)
Other Noncurrent Liabilities					
Parent Company					
Security deposit	**₱549,299**	**(₱7,827,359)**	Noninterest-bearing; payable	Unsecured	17 (b)
Affiliate					
Security deposits	**6,732,636**	**(20,866,382)**	Noninterest-bearing; payable	Unsecured	17 (b)
	₱7,281,935	**(₱28,693,741)**			

	2020				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Bank under common control					
Cash and cash equivalents	₱738,640,515	₱738,640,515	0.1010% to 3.75%	No impairment	17 (a)
Interest income	3,908,966	–			
	₱742,549,481	₱738,640,515			
Trade receivables (Note 5)					
Parent Company					
Rental revenue	₱24,965,196	₱306,370	Noninterest-bearing; due and demandable	Unsecured	17 (b)
Affiliate					
Rental revenue	88,007,272	146,729	Noninterest-bearing; collectible every 20th day of the month	Unsecured	17 (b)
Service fee income (Note 21)	8,990,356	–	Noninterest-bearing	Unsecured	17 (d)
Commission income (Note 21)	23,166,200	–	Noninterest-bearing	Unsecured	17 (d)
	₱145,129,024	₱453,099			
Other Noncurrent Asset					
Affiliate					
DCS connection charge (Note 11)	₱15,266,782	₱352,187,969		No impairment	17 (f)
Connection fees (Note 12)	–	(16,164,753)			
	₱15,266,782	₱336,023,216			
Accounts payable and accrued expenses (Note 12)					
Parent Company					
Rental expense	(₱304,190,850)	₱–	Noninterest-bearing; payable on demand	Unsecured	17 (c)
Affiliate					
Advances	(350,000,000)	–	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	(9,966,667)	–	Noninterest-bearing	Unsecured	17 (e)
Service and energy fees (Note 20)	(290,551,981)	(46,327,665)	Noninterest-bearing; payable on demand	Unsecured	17 (f)
Rental expense	(4,467,493)	–	Noninterest-bearing	Unsecured	17 (c)
Affiliate			Noninterest-bearing; payable on demand	Unsecured	
Service fee	(35,361,288)	(13,950,037)			17 (d)
Management fee and manpower cost	–	–	Noninterest-bearing; payable on demand	Unsecured	
	(₱994,538,279)	(₱60,277,702)			
Lease liabilities					
Parent Company					
Lease liabilities (Note 20)	(₱2,149,262,141)	(₱2,190,115,165)	Noninterest-bearing; payable	Unsecured	17 (c)
Other Noncurrent Liabilities					
Parent Company					
Security deposit	(₱7,278,060)	(₱7,278,060)	Noninterest-bearing; payable	Unsecured	17 (b)
Affiliate					
Security deposits	(12,018,424)	(14,133,746)	Noninterest-bearing; payable	Unsecured	17 (b)
	(₱19,296,484)	(₱21,411,806)			

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. Lease period is 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 spaces in the Parent Company's buildings. Lease period is from September 2, 2019 to September 1, 2024 for Axis Tower 1 and April 1, 2021 to March 31, 2031 for Vector One office.

The Parent Company, as a lessor, entered into a space rental agreement with Pro-Excel Property Managers, Inc. (PEPMI), an affiliate, for the office space in one of the Parent Company's buildings. Lease period is from July 15, 2020 to July 14, 2025. The lease was pre-terminated as a result of the property dividend distribution effective July 14, 2021.

The Parent Company, as a lessor, entered into a space rental agreement with Dreambuilders Pro, Inc. (DPI), a fellow subsidiary under FLI, for the office space in one of the Parent Company's buildings. Lease period is from August 10, 2017 to October 9, 2022. The lease was pre-terminated as a result of the property dividend distribution effective July 14, 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 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 (see Note 20):

- 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 follows (see Note 20):

- 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.

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), and Filinvest Asia Corp. (FAC), 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 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 maintain, manage, and market each Property, subject to the overall management and directions of the Fund Manager.
- The Parent Company entered into a service agreement with FREIT Fund Manager, Inc. (FFMI), an affiliate, whereby the Parent Company shall engage and pay the services rendered by the latter to execute and implement the investment strategies for the 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.

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.

Amortized portion of DCS connection charge pertaining to existing buildings amounted to ₱12.6 million and ₱15.0 million in 2021 and 2020, respectively. These amounts were recognized as part of utilities expense in consolidated statement of comprehensive income (see Note 2). In 2021, the Group derecognized prepaid DCS amounting ₱132.4 million pertaining to property dividends distributed and was charged to FLI. Connection and service charges incurred for these buildings as of December 31, 2021 and 2020, aggregated to ₱197.0 million and ₱336.0 million, respectively (see Note 11).

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 amounting to ₱966.1 million was settled in November 2021.

Key Management Personnel
The key management functions of the Group are handled by FCI starting March 2021. For the years ended December 31, 2021 and 2020, compensation of other key management personnel directly paid by the Group pertains to short-term employee benefit amounting ₱1.5 million and ₱9.7 million, respectively.

18. Retirement Cost

The Group has a noncontributory, funded defined benefit pension plan covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement plan provides retirement benefits (equivalent to 70% to 125% of the final monthly salary for every year of service) after satisfying certain age and service requirements. The Group accrues retirement costs (included in "Retirement liability" in the consolidated statements of financial position) based on an actuarially determined amount using the PUC method.

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group updates the actuarial valuation by hiring the services of a third party professionally qualified actuary.

As of December 31, 2021, the Group has no remaining employees and the administrative functions were transferred to FCI (see Note 17). The retirement obligation outstanding as of December 31, 2020 has been reclassified to 'Due to related parties' under accounts payable and accrued expenses in the consolidated statements of financial position.

The following tables summarize the components of "Pension expense" recognized in the consolidated statements of comprehensive income and "Retirement liability" recognized as part of other noncurrent liabilities in the consolidated statements of financial position for the existing retirement plan as of December 31, 2020.

The funded status and amounts recognized in the consolidated statements of financial position for the pension plan follow:

Present value of defined benefit obligation	₱5,141,352
Fair value of plan assets	(1,313,995)
Net pension liabilities	₱3,827,357

In 2020, and 2019, the recognized pension expense in profit or loss amounted to ₱0.49 million and ₱0.41 million, respectively, and the remeasurements recognized in other comprehensive income amounted to ₱1.3 million and nil, respectively.

Changes in the present value of the defined benefit obligation follow:

	2021	2020
Balance at beginning of period	**₱5,141,352**	₱1,832,889
Current service cost	**–**	457,912
Interest expense	**–**	141,394
Amount to be recognized in OCI	**–**	2,709,157
Transfers	**(5,141,352)**	–
Balance at end of period	**₱–**	₱5,141,352

Changes in the fair value of plan assets follow:

	2021	2020
Balance at beginning of period	**₱1,313,995**	₱–
Contribution	**–**	1,419,104
Interest income	**–**	112,109
Remeasurement losses on plan assets	**–**	(217,218)
Transfers	**(1,313,995)**	(217,218)
Balance at end of period	**₱–**	₱1,313,995

As of December 31, 2020, the plan asset amounting to ₱1.3 million pertains to cash. The Group reviews the level of funding required for the retirement plan. The Group's objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the benefit obligations.

Maturity analysis of the undiscounted benefit payments as of December 31, 2020 follows:

Year 1	₱4,429
Year 2	5,408
Year 3	6,639
Year 4	8,258
Year 5	10,241
Year 6 to 50	102,562,979

The principal assumptions used in determining pension benefits as of December 31, 2020 includes discount rate and salary increase rate of 4.1% and 8.0%, respectively.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (per 100 basis points) assuming all other assumptions were held constant:

	Increase (Decrease)	Impact on DBO Increase (Decrease)
Discount rates	(18%)	(₱4,193,468)
	24%	6,349,599
Salary rates	22%	6,296,529
	(17%)	(4,253,434)

Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level of the remaining life of the obligation.

19. Income Tax

On June 6, 2000, the Group was registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provisions of Republic Act 7916 as an Economic Zone (ECOZONE) Facilities Enterprise. As a registered enterprise, the Group is entitled to certain tax benefits and non-tax incentives such as exemption from payment of national and local taxes and in lieu thereof a special tax rate of five percent (5%) of gross income. The Group is also entitled to zero percent (0%) value added tax for sales made to ECOZONE enterprises.

The breakdown of provision for income tax shown in the consolidated statements of comprehensive income follows:

	2021	2020	2019
At 5% statutory income tax rate	**₱35,471,289**	₱70,860,967	₱55,369,000
Net result from non-PEZA activities:			
Current	**82,180,646**	160,289,059	134,211,926
Deferred	**(269,648,113)**	(114,258,532)	119,807,959
	(₱151,996,178)	₱116,891,494	₱309,388,885

The current provision for income tax represents RCIT in 2021, 2020 and 2019. Prior to the Parent Company's listing date on August 12, 2021, the Parent Company recognized provision for income tax amounting to ₱117.7 million. The Parent Company started to avail of its tax incentive as a REIT after its listing.

As of December 31, 2021, deferred tax assets and liabilities are recognized based on the Group's effective tax rate of 0% under the REIT law. As of December 31, 2020, the components of the Group's net deferred tax assets (liability) follows:

Presented in profit or loss	
Deferred tax assets	
Lease liabilities	₱200,002,363
Advance rentals	66,779,445
Provision for future major repairs	1,812,946
Accrual of pension obligation	514,052
Provision for doubtful accounts	85,577
Unrealized foreign currency exchange loss	13,067
	269,207,450
Deferred tax liabilities	
Capitalized borrowing costs	(258,925,373)
Adjustment related to straight-line recognition of rental revenue	(119,797,641)
Right-of-use assets	(160,802,325)
	(539,525,339)
	(270,317,889)
Presented in OCI	
Deferred tax asset on net actuarial gains on pension liability	378,000
	(₱269,939,889)

The reconciliation of provision for income tax at the statutory tax rate to provision for income tax shown in the consolidated statements of comprehensive income follows:

	2021	2020	2019
Tax at statutory rate	**₱151,788,989**	₱593,319,985	₱583,135,280
Adjustments for:			
Income tax at 5% preferential rate	**(141,885,155)**	(283,413,371)	(267,005,647)
Nontaxable income	**(13,017,816)**	(1,752,758)	–
Additional deductible expense from dividends	**(273,995,568)**	–	–
Adjustment to current tax in 2020 recognized in 2021	**(13,483,850)**	–	–
Movements in deferred taxes	**140,170,421**	(185,604,025)	–
Interest income subjected to final tax	**(1,573,199)**	(5,658,337)	(6,740,748)
	(₱151,996,178)	₱116,891,494	₱309,388,885

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act which eyes to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reform to the corporate income tax and incentives systems which took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation, on April 11, 2021.

As a result of the CREATE law, the regular corporate income tax (RCIT) rate decreased from 30% to 25% effective July 1, 2020. As a result of the reduction in RCIT rate, the provision for current tax for the year ended December 31, 2020 decreased by ₱13.5 million and the creditable withholding tax as of December 31, 2020 increased by ₱13.5 million. For financial reporting purposes, these changes are recognized in the consolidated financial statements as of and for the period ended December 31, 2021 in accordance with PIC Q&A 2020-07, Accounting for the Proposed Changes in Income Tax Rates under the CREATE Bill dated January 27, 2021.

Effective August 12, 2021, as a REIT entity, the Parent Company is entitled to the following: (a) not subject to 2% minimum corporate income tax (MCIT), (b) exemption from value-added tax (VAT) and documentary stamp tax (DST) on the transfer of property in exchange of its shares,
(c) deductibility of dividend distribution from its taxable income, and (d) fifty percent (50%) of the standard DST rate of the transfer of real property into the Company, including the sale or transfer of any and all security interest there to, provided they have complied with the requirements under RA No. 9856 and Implementing Rules and Regulations (IRR) of RA No. 9856.

20. Leases

Group as lessee
The Parent Company has lease contracts for land as of January 1, 2019. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets. The Parent Company has entered into land lease arrangements with lease terms of between 25 and 40 years. There are several leases that include extension option to lease the assets for additional 25 years based on mutual agreement of the parties. The remaining lease term of the ROU assets range from 16 to 39 years.

The Parent Company's lease contract with Cebu Government pertaining to the BTO rights are presented under Intangible assets while the lease contracts with a third party and FLI are presented under Investment properties.

On July 1, 2020, the Parent Company and FLI amended their existing lease contract. The pertinent amendment provisions include the extension of the term of the lease to another 25 years and to set a minimum fixed rental rate. This resulted to an addition to ROU assets and lease liabilities amounting ₱2,149.3 million at contract amendment date (see Note 9).

On March 1, 2021, the Parent Company 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 (i.e., 10% or 15% of gross lease income depending on the floor to area ratio). In case of redevelopment, FLI and the Parent Company shall mutually agree on the minimum monthly rent during construction period (see Note 17).

On March 31, 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 above transactions resulted to derecognition of right of use assets and lease liabilities amounting to ₱1,979.0 million and ₱2,168.2 million, respectively, and recognition of gain on derecognition of lease liabilities amounting ₱189.2 million for the year ended December 31, 2021.

As of December 31, 2020, the Group derecognized a portion of lease liability and right of use asset with a carrying value of ₱267.5 million and ₱261.7 million, respectively, attributable to property dividends declared (see Note 9).

The rollforward analysis of right-of-use assets on land follows:

	2021		
	Investment Properties (Note 9)	**Intangible Assets** (Note 7)	**Total**
Cost			
At January 1	**₱1,946,930,753**	**₱112,423,917**	**₱2,059,354,670**
Derecognition	**(1,946,930,753)**	**(90,347,379)**	**(2,037,278,132)**
As at December 31	**–**	**22,076,538**	**22,076,538**
Accumulated Depreciation			
At January 1	**39,188,512**	**8,993,914**	**48,182,426**
Depreciation	**11,286,856**	**1,485,377**	**12,772,233**
Derecognition	**(50,475,368)**	**(7,830,106)**	**(58,305,474)**
As at December 31	**–**	**2,649,185**	**2,649,185**
Net Book Value	**₱–**	**₱19,427,353**	**₱19,427,353**

	2020		
	Investment Properties (Note 9)	Intangible Assets (Note 7)	Total
Cost			
At January 1	₱62,159,358	₱112,423,917	₱174,583,275
Additions	2,149,262,141	–	2,149,262,141
Derecognition	(264,490,746)	–	(264,490,746)
As at December 31	1,946,930,753	112,423,917	2,059,354,670
Accumulated Depreciation			
At January 1	3,551,963	4,496,957	8,048,920
Depreciation	39,033,505	4,496,957	43,530,462
Derecognition	(3,396,956)	–	(3,396,956)
As at December 31	39,188,512	8,993,914	48,182,426
Net Book Value	₱1,907,742,241	₱103,430,003	₱2,011,172,244

The following are the amounts recognized in the consolidated statement of comprehensive income:

	2021	2020	2019
Depreciation expense of right-of-use assets	**₱12,772,233**	₱43,530,462	₱8,048,920
Interest expense on lease liabilities	**20,275,856**	72,540,219	23,186,843
Rental expense (variable land lease payments)	**271,083,960**	297,968,918	305,153,634
	₱304,132,049	₱414,039,599	₱336,389,397

Interest expense which was capitalized during the year relating to lease liability amounted to ₱1.1 million and ₱14.6 million in 2021 and 2020, respectively. The capitalization rates used range from 4.7% to 5.19% in 2021 and 2020, respectively.

The rollforward analysis of lease liabilities follows:

	2021	2020
At January 1	**₱2,190,115,165**	₱283,428,528
Additions	**–**	2,149,262,141
Interest expense	**20,275,856**	72,540,219
Payments	**(14,397,140)**	(47,613,247)
Derecognition	**(2,168,155,699)**	(267,502,476)
At December 31	**27,838,182**	2,190,115,165
Less current portion	**1,848,085**	92,617,060
Lease liabilities - net of current portion	**₱25,990,097**	₱2,097,498,105

The Group also has certain lease of land with variable rental payments and lease of office space considered as "low-value assets". The Group applies the lease of 'low-value assets' recognition exemptions for these leases.

Total cash outflow related to principal payments of lease liabilities for the years ended December 31, 2021, 2020 and 2019 amounted to ₱15.6 million, ₱47.6 million, and ₱17.3 million, respectively.

Shown below is the maturity analysis of the undiscounted lease payments:

Maturity	2021	2020
1 year	**₱1,894,287**	₱92,617,061
more than 1 years to 2 years	**1,989,001**	97,457,093
more than 2 years to 3 years	**2,088,451**	102,553,769
more than 3 years to 4 years	**2,192,874**	107,920,946
more than 5 years	**63,198,521**	5,332,476,996

Group as lessor
As lessor, future minimum rental receivables under renewable operating leases follows:

	2021	2020
Within one year	**₱2,373,747,721**	₱2,831,168,803
After one year but not more than five years	**5,940,841,604**	8,429,851,003
After five years	**1,261,526,105**	5,568,619,525
	₱9,576,115,430	₱16,829,639,331

The Group entered into lease agreements with third parties and related parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial malls are renewable within one year, except for anchor tenants with lease ranging from 5 to 15 years (see Note 17).

Rental income recognized based on a percentage of the gross revenue of mall tenants included in "Rental revenue" account in the consolidated statement of comprehensive income amounted to ₱10.9 million, ₱15.0 million and ₱28.5 million in 2021, 2020 and 2019, respectively.

21. Other Income

This account consists of:

	2021	2020 (As restated, see Note 2)	2019 (As restated, see Note 2)
Tenant dues (Notes 7 and 9)	**₱869,351,782**	₱999,318,508	₱892,342,386
Service fee income (Note 17)	**31,381,132**	8,990,356	8,742,636
Commission income (Note 17)	**–**	23,166,200	6,440,293
Miscellaneous	**21,989,755**	17,107,378	17,023,008
	₱922,722,669	₱1,048,582,442	₱924,548,323

Miscellaneous income pertains to penalties and charges from tenants.

22. Interest Income

This account consists of:

	2021	2020	2019
Interest income on:			
Cash and cash equivalents (Notes 4 and 17)	**₱6,347,170**	₱3,908,966	₱8,435,362
Others (Note 5)	**3,639,226**	–	2,032,802
	₱9,986,396	₱3,908,966	₱10,468,164

Others consist mainly of interest and penalties on late rental payment of tenants.

23. Earnings Per Share

The Parent Company's earnings per share for the years ended December 31 are computed as follows:

	2021	2020	2019
a. Net income	**₱1,855,134,403**	₱1,860,841,789	₱1,634,395,382
b. Weighted average number of outstanding common shares	**3,514,911,602**	2,326,853,336	2,326,853,336
Basic/Diluted EPS (a/b)	**₱0.53**	₱0.80	₱0.70

The Group assessed that there were no potential dilutive common shares in 2021, 2020 and 2019.

The weighted average outstanding common shares consider the effect of the stock split approved by the Parent Company's BOD and stockholder on March 5, 2021 (see Note 16). The EPS for the years ended December 31, 2020 and 2019 was also adjusted to consider this stock split.

24. Segment Reporting

The Group has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Group meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments.*

The Group's leasing operations is its only income generating activity and such is the measure used by the chief operating decision maker (CODM) in allocating resources. The Group does not report its results based on geographical segments. The Group has no significant customer which contributes 10% of more to the revenues of the Group.

25. Fair Value Measurement

The following table sets forth the fair value hierarchy of the Group's financial assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	2021	
	Carrying value	**Fair Value Significant unobservable inputs (Level 3)**
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Bonds payable	**₱5,987,044,949**	**₱5,699,255,351**
Security and other deposits	**750,990,427**	**726,647,728**
Lease liabilities	**27,838,182**	**25,692,831**
	₱6,765,873,558	**₱6,451,595,910**

	2020	
	Carrying value	Fair Value Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Loans payable	₱2,344,166,667	₱2,243,880,721
Bonds payable	5,974,168,846	5,686,998,186
Security and other deposits	849,074,060	821,552,066
Lease liabilities	2,190,115,165	2,083,161,648
	₱11,357,524,738	₱10,835,592,621

Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables and current portion of accounts payable and accrued expenses approximate the fair market values.

The fair value of noncurrent deposits is estimated using the discounted cash flow methodology based on the discounted value of future cash flows using the applicable risk-free rates for similar types of asset. As of December 31, 2021 and 2020, the difference between the fair value and carrying value of deposits is not significant.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

- *Security and other deposits*. The discount rates used ranges from 2.4% to 4.3% as of December 31, 2021 and 2020. Fair value is computed based on the expected future cash outflows.
- *Loans payable, lease liabilities and bonds payable.* Liabilities with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. The discount rates used range from 5.05% to 8.35% and 4.01% to 5.58% as of December 31, 2021 and December 31, 2020 respectively.

During the years ended December 31, 2021 and December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

26. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise of cash and cash equivalents, receivables, long-term debt, accounts payable and accrued expenses, lease liabilities 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 loans payable.

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
December 31, 2021	**+100**	₱–
	-100	–
December 31, 2020	+100	(₱23.4 million)
	-100	23.4 million

There is no impact on the Group's equity other than those already affecting the consolidated 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 is exposed to credit risk from its operating activities, primarily for its trade receivables, and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

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

With respect to credit risk arising from the other financial assets of the 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 ₱7.7 million expected credit loss for the year ended December 31, 2021. The expected credit loss rate has been set at 7.2% to 62.37% based on the historical collection pattern of the tenants. The loss given default rate is set at 9.1% to 79.96% in the calculation of impairment on the receivables net of security deposit and advance rent as these can be used to offset unpaid receivables.

In most cases, recoveries are higher than the amount of receivable at default. As of December 31, 2021 and December 31, 2020, most of the Group's trade receivables are covered by security deposits and advances rentals. As of December 31, 2021, and 2020, the Group's allowance for ECL on its trade receivables amounted to ₱7.7 million and ₱0.3 million, respectively (see Note 5).

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 table below shows the Group's credit quality as of December 31, 2021 and 2020:

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

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

	2020				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Past Due and Impaired	Total
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 Group's high-grade receivables and deposits pertain to receivables and deposits from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to expected credit loss is not significant.

The analysis of trade receivables which are past due but not impaired follow:

	Past Due but not Impaired					
	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
December 31, 2021	**₱20,567,738**	**₱5,475,049**	**₱6,841,129**	**₱25,326,229**	**₱58,656,478**	**₱116,866,623**
December 31, 2020	55,829,258	11,488,079	12,931,946	6,343,156	57,895,122	144,487,561

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:

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

	2020					
	On demand	Within 1 year	> 1 – 3 years	> 3 – 5 Years	Over 5 years	Total
Cash and cash equivalents	₱602,644,513	₱267,873,019	₱–	₱–	₱–	₱870,517,532
Receivables	795,250,212	35,179,500	–	–	–	830,429,712
Deposits	–	–	–	–	40,903,155	40,903,155
	₱1,397,894,725	₱303,052,519	₱0	₱–	₱40,903,155	₱1,741,850,399

Maturity profile of the Group's financial liabilities is shown below (in thousands):

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

**Includes future interest payable.*

	2020					
	On demand	Up to a year total	> 1 – 3 years	> 3 – 5 Years	Over 5 years	Total
Loans payable	₱–	₱744,167	₱400,000	₱1,200,000	₱–	₱2,344,167
Bonds payable	–	–	–	6,000,000	–	6,000,000
Lease liabilities	–	92,617	232,749	401,374	1,463,375	2,190,115
Interest on loans*	15,921	112,204	185,397	56,876	–	370,398
Accounts payable and accrued expenses	1,583,712	–	–	–	–	1,583,712
Security and other deposits	–	116,415	259,242	473,417	–	849,074
	₱1,599,633	₱1,065,403	₱1,077,388	₱8,131,667	₱1,463,375	₱13,337,466

**Includes future interest payable.*

27. Notes to Statements of Cash Flows

Investing Activities

The Group's noncash investing activities are as follows:

- The Group recognized right-of-use assets presented under investment properties and lease liabilities amounting to ₱2,149.3 million in 2020 (nil in 2021; see Notes 8 and 20).
- Outstanding liabilities pertaining to investment properties purchased on account are recorded in the consolidated statements of financial position under "Accounts payable and accrued expenses" account, amounting to nil, ₱2.6 million and ₱91.5 million as of December 31, 2021, 2020 and 2019, respectively (see Note 11).
- Outstanding liabilities pertaining to intangible assets acquired on account are recorded in the consolidated statements of financial position under "Accounts payable and accrued expenses" account amounting to ₱83.5 million as of December 31, 2020 (nil in 2021 and 2019).
- Outstanding liabilities pertaining to unpaid additions to noncurrent asset held for distribution are recorded in the consolidated statements of financial position under "Accounts payable and accrued expenses" account, amounting to ₱22.2 million as of December 31, 2020 (nil as of December 31, 2021; see Note 6).
- The Group derecognized right of use of assets under "Investment properties" as a result of the amendment of lease contract with FLI. The net book value of this right of use assets amounted to ₱1,842.0 million as of December 31, 2021 (nil as of December 31, 2020; see Notes 9 and 20).
- The Group derecognized Prepaid DCS connection charge under "Other noncurrent assets" as a result of the derecognition of related assets of property dividends amounting to ₱132.4 million as of December 31, 2021 (nil as of December 31, 2020; see Note 11). This was offset against "Due to related parties" under accounts payable and accrued expenses.

Financing Activities

Changes in liabilities arising from financing activities for the year ended December 31, 2021 and 2020 follows (in thousands):

	January 1, 2021	**Availment/ Addition**	**Payments**	**Noncash Movement**	**December 31, 2021**
Loans payable	**₱2,344,167**	**₱–**	**₱–**	**(₱2,344,167)**	**₱–**
Bonds payable	**5,974,169**	**–**	**–**	**12,876**	**5,987,045**
Lease liabilities	**2,190,115**	**–**	**(15,564)**	**(2,146,713)**	**27,838**
Accrued interest	**113,037**	**–**	**(315,074)**	**304,258**	**102,221**
Dividends payable	**6,611,907**	**2,786,409**	**(1,095,982)**	**(8,302,334)**	**–**
Deposit for future stock subscription	**1,889,583**	**–**	**–**	**(1,889,583)**	**–**
	₱19,122,978	**₱2,786,409**	**(₱1,426,620)**	**(₱14,365,663)**	**₱6,117,104**

	January 1, 2020	Availment/ Addition	Payments	Noncash Movement	December 31, 2020
Loans payable	₱4,218,371	₱1,000,000	(₱1,355,455)	(1,518,749)	₱2,344,167
Bonds payable	5,961,553	–	–	12,616	5,974,169
Lease liabilities	283,428	–	(47,613)	1,954,300	2,190,115
Accrued interest	109,323	–	(471,908)	475,622	113,037
Dividends payable	348,340	–	(348,340)	6,611,907	6,611,907
Deposit for future stock subscription	–	–	–	1,889,583	1,889,583
	₱10,921,015	₱1,000,000	(₱2,223,316)	₱9,425,279	₱19,122,978

Noncash movement includes amortization of debt issuance costs and interest expense for loans payable, bonds payable, and lease liabilities.

For the year ended December 31, 2021, the noncash movement also include derecognition of lease liabilities, distribution of property dividends payable, and assignment of loans payable to FLI amounting ₱2,167.8 million and ₱8,302.3 million and ₱2,344.2 million, respectively (see Notes 13, 16 and 20).

28. Other Matters

COVID-19 Pandemic

The Group continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Group. Measures currently undertaken by the Group to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements depending on the quarantine protocols in place, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others.

The general global slowdown and the imposition of community quarantine measures due to the COVID-19 pandemic had short- to medium-term effects on new Office Leasing activities. Prior to the pandemic, inquiries from potential tenants were about leasing entire floors of buildings but the demand was reduced to much smaller size cuts in 2020. Physical site inspections as required by all prospective tenants were halted due to the community quarantine restrictions. Contract signing and handover dates of new incoming tenants were adjusted to 2021. Construction rent free periods were given to accommodate fit out delays and social distancing guidelines on construction resulting from six to eight months delay in construction deliveries and construction manpower reduction by 50%. Non-renewal and pre-termination of contracts were also experienced in 2021 but this was counterweighed by the renewal of all lease expiries during the year at current market rates.

Typhoon Odette

Typhoon Odette did not hamper the operations of Filinvest Cyberzone Cebu Tower 1 when it made landfall on December 16, 2021. The building remained operational on a 24/7 basis despite the power interruption in the area, utilizing backup generators until power was fully restored on January 6, 2022. Damage to property was not material and eligible to receive insurance claims.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Filinvest REIT Corp. (formerly Cyberzone Properties Inc.)
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have audited in accordance with Philippine Standards on Auditing, consolidated financial statements of Filinvest REIT Corp. (formerly Cyberzone Properties, Inc.) (the Parent Company) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 15, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Tax Identification No. 248-679-852
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118546-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2020, January 31, 2020, valid until January 30, 2023
PTR No. 8854361, January 3, 2022, Makati City

March 15, 2022

FILINVEST REIT CORP. AND A SUBSIDIARY
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Annex I: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex II: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

Annex III: Supplementary Schedules Required by Revised SRC Rule 68 (Annex 68-J)

- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
- Schedule D. Long-term Debt
- Schedule E. Indebtedness to Related Parties
- Schedule F. Guarantees of Securities of Other Issuers
- Schedule G. Capital Stock

FILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.) AND A SUBSIDIARY

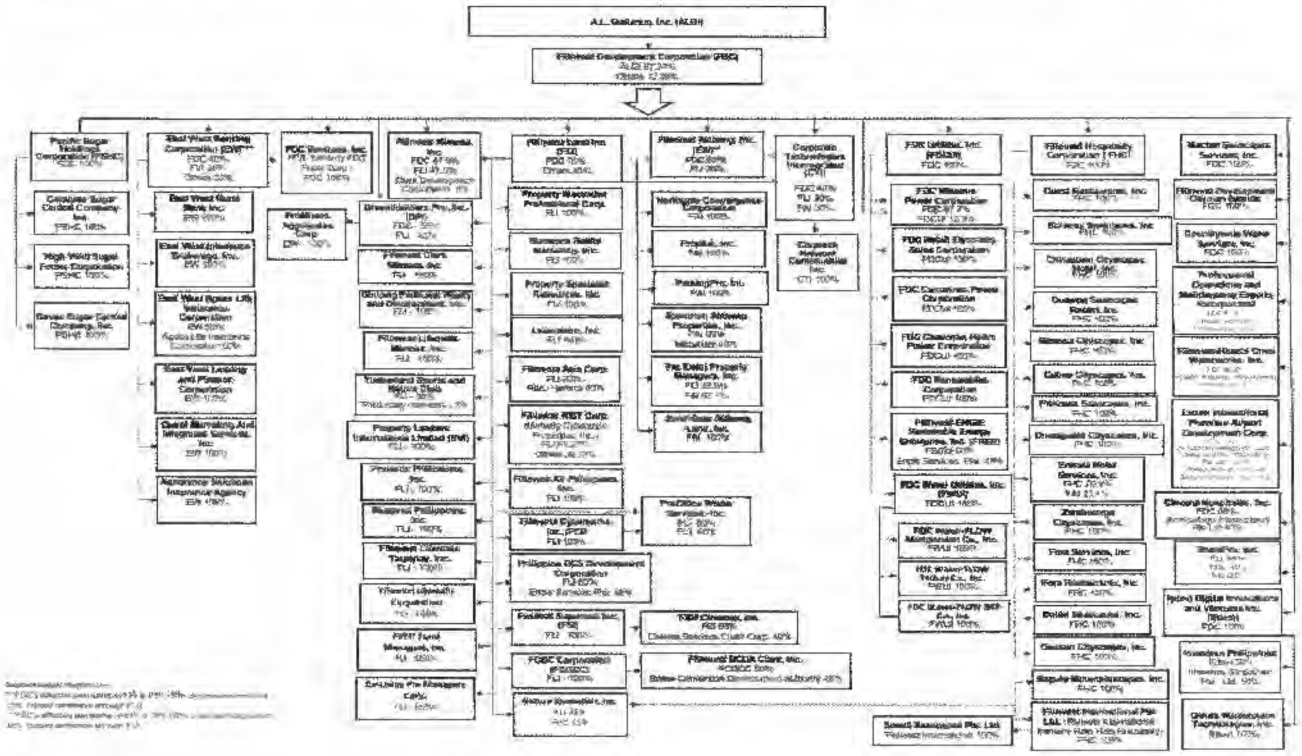
UNAPPROPIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION

December 31, 2021

Unappropriated 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 actually earned/realized during the period:		
Net income during the period closed to retained earnings	1,855,134,403	
Effect of adoption of PFRS 16		
Less: Non actual/unrealized income net of tax	–	
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain-net (except those attributable to Cash and Cash equivalents)	–	
Fair value adjustment (M2M 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 the PFRS	–	
Deferred tax asset that reduced the amount of income tax expense		
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net income actually earned during the period		₱3,536,052,301
Add (less):		
Movement in deferred tax assets		269,207,450
Dividend declarations during the period		(2,786,409,060)
Transfer of remeasurement gain on retirement plan		28,845
Appropriations of retained earnings during the period		–
Unappropriated Retained Earnings, as adjusted December 31, 2021		₱1,018,879,536

Group Structure

Below is a map showing the relationship between the Group and its parent company, ultimate parent company and affiliates as of December 31, 2021.



FILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.) AND A SUBSIDIARY

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED BY REVISED SRC RULE 68 (ANNEX 68-J)
DECEMBER 31, 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 prescribes 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 Filinvest REIT Corp. and its subsidiary (collectively, "the Group"). This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

The entity's Financial Assets comprises of cash and cash equivalents, receivables and deposit. As stated in the regulation, before mentioned amount should be provided if the aggregate cost or the market value of FVTPL as of the end of the reporting period is 5% or more of the total current asset. As of December 31, 2021 the entity recorded the financial assets as financial assets at amortized cost, therefore it is deemed assumed that this schedule is not applicable to the Group.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

As of December 31, 2021, the amount of receivable from officers and employees excluding those advances arising from the normal course of business does not meet the minimum required balance as stated in the Revised SRC Rule to be presented in the report. This schedule is not applicable to the Group.

Schedule C. Amounts Receivable from Related Parties, which are eliminated during the consolidation of financial statements

On December 23, 2020, Cyberzone Properties Inc. sold its share in ProOffice Works to Filinvest Land, which resulted for Cyberzone Properties Inc. to lose its control over ProOffice. Therefore, this schedule is not applicable to the entity as of December 31, 2021.

Schedule D. Long term debt

Below is the schedule of long-term debt of the Group (amounts in thousands). Each loan balance is presented net of unamortized deferred costs.

(i) Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)
Bonds			
Fixed rate bonds with principal amount of ₱6.00 billion and term of 5.5 years from the issue date was issued by the Group on July 7, 2017 to mature on January 2023 with fixed interest rate is 5.05% per annum.	₱5,987,045	₱–	₱5,987,045

The agreement covering the abovementioned bonds require maintaining certain financial ratios of maximum debt-to-equity ratio of 2.33x and minimum debt service coverage ratio of 1.1x. The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; and entering into any partnership, merger, consolidation or reorganization.

Schedule E. Indebtedness to Related Parties

This is not applicable since the Group has no outstanding indebtedness to its related parties as of December 31, 2021.

Schedule F. Guarantees of Securities of Other Issuers

This is not applicable to the Group since it does not have a guarantee of securities of other issuers as of December 31, 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
Common Shares	14,263,698,000	4,892,777,994	–	3,095,498,345	7	None

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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Filinvest REIT Corp. (formerly Cyberzone Properties Inc.)
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Filinvest REIT Corp. (formerly Cyberzone Properties Inc.) (the Parent Company) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 15, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Parent Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs), and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Tax Identification No. 248-679-852
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PTR No. 8854361, January 3, 2022, Makati City

March 15, 2022

FILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.)
AND A SUBSIDIARY

SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATORS

Below are the financial ratios that are relevant to the Group:

Financial Ratios		2021	2020	2019
Current ratio	Current assets / Current liabilities	**2.58**	1.06	0.59
Acid test ratio	Current assets - Inventories / Current liabilities	**2.58**	1.06	0.59
Solvency ratio	Net income + Depreciation / Total liabilities	**0.29**	0.11	0.16
Debt to equity ratio	Loans payable + Bonds payable+ Lease liabilities / Total Equity	**1.01**	2.06	1.31
Asset to equity ratio	Total asset / Total Equity	**2.34**	4.94	2.79
Interest coverage ratio	Income before income tax (IBIT) + interest and other financing charges / Interest and other financing charges	**6.01**	6.63	9.43
Return on equity	Net income / Total Equity	**0.31**	0.36	0.21
Return on assets	Net income / Total assets	**0.13**	0.07	0.07
Net profit margin	Net income / Revenues and income	**0.54**	0.60	0.56
Debt ratio	Total liabilities / Total assets	**0.57**	0.80	0.64
Income before income tax, interest and other financing charges, depreciation and amortization (IBITDA) to total interest paid	IBITDA / Total interest paid	**7.84**	5.97	5.41
Debt to Assets Ratio	Bonds Payable + Loans Payable / Total Assets	**0.43**	0.33	0.46
Debt Service Coverage Ratio	Net Operating Income / Total loans and interest payments	**7.24**	1.50	1.42

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A2000-00652

COMPANY NAME

FILINVEST REIT CORP. (formerly Cyberzone Properties Inc.) AND SUBSIDIARY

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

5th-7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
13,067	May 30	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

5th-7th Floors Vector One Building, 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.*

CERTIFICATE OF ACKNOWLEDGMENT

EMBASSY OF THE PHILIPPINES)
Consular Section) S.S.
Singapore)

BEFORE ME RENEE GAYLE M. CHUA, **Vice Consul** of the Republic of the Philippines in and for Singapore, duly commissioned and qualified, personally appeared

LOURDES JOSEPHINE GOTIANUN YAP	PASSPORT P6722593B

known to me and to me known as the same person(s) who executed the annexed instrument

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

and acknowledged before me that the same was done as a free act and voluntary deed.

This instrument, consisting of 3 pages, including this page on which this acknowledgment is written, has been signed on the left margin of each and every page thereof by the same person(s) and witnesses.

The Embassy assumes no responsibility over the contents of the annexed document.

WITNESS MY HAND AND SEAL at the Embassy of the Philippines in Singapore this day of 18 March 2022

RENEE GAYLE M. CHUA
Vice Consul

Doc. No. : 3240
Book No. : 1
Series of : 2022
O.R. No. : GRATIS
Fee Paid : GRATIS

Filinvest REIT Corp.
5[th] to 7[TH] Floor Vector One Bldg. Northgate Cyberzone,
Filinvest City, Alabang, Muntinlupa
Tel. No. (632) 8-846-0278
www.filinvestreit.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Filinvest REIT Corp.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019 and as of December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error and making accounting estimates that are reasonable in the circumstances.

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

The Board of Director is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders or members before such statements are issued to the regulators, creditors and other users.

Sycip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of FRC in accordance with the Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit in its report to the stockholders or members.

Lourdes Josephine Gotianun Yap
Chairman of the Board

FILINVEST
REIT•F

Filinvest REIT Corp.
5th to 7th Floor Vector One Bldg. Northgate Cyberzone
Filinvest City, Alabang, Muntinlupa
Tel. No. (632) 5-8[illegible]6-0278
www.filinvestreit.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR PARENT COMPANY FINANCIAL STATEMENTS

The management of **Filinvest REIT Corp.** is responsible for the preparation and fair presentation of the parent financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019 and as of December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and making accounting estimates that are reasonable in the circumstances.

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

The Board of Director is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the parent financial statements and submits the same to the stockholders or members before such statements are issued to the regulators, creditors and other users.

Sycip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of FRC in accordance with the Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit in its report to the stockholders or members.

Lourdes Josephine Gotianun-Yap
Chairman of the Board

Maricel Brion Lirio
President/CEO

Ana Venus A. Mejia
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR day of 2022 affiants exhibits to me their SSS ID and Passport as follows.

	SSS ID No.	Passport No.
L. Josephine G. Yap	03-4601 7474	
Maricel Brion Lirio	04-07020162	
Ana Venus A. Mejia		EC3796043

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Page No. [illegible]
Book No. [illegible]
Series of 2021.

FILINVEST

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Filinvest REIT Corp. (formerly Cyberzone Properties Inc.)
5th-7th Floors, Vector One Building
Northgate Cyberzone, Filinvest City
Alabang, Muntinlupa City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the accompanying parent company financial statements of Filinvest REIT Corp. (formerly Cyberzone Properties, Inc.) (the Company) which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The supplementary information required under Revenue Regulation 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of the Filinvest REIT Corp. (formerly Cyberzone Properties, Inc.) in a separate schedule. Revenue Regulations 15-2010 requires the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Revised Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Wanessa G. Salvador.

SYCIP GORRES VELAYO & CO.

Wanessa G. Salvador

Wanessa G. Salvador
Partner
CPA Certificate No. 0118546
Tax Identification No. 248-679-852
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 118546-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-137-2020, January 31, 2020, valid until January 30, 2023
PTR No. 8854361, January 3, 2022, Makati City

March 15, 2022

FILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.)
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 17)	**₱2,587,195,631**	₱870,517,532
Receivables (Note 5)	**754,995,633**	830,144,454
Other current assets (Note 11)	**64,054,931**	1,171,332,106
	3,406,246,195	2,871,994,092
Noncurrent assets held for distribution (Notes 6 and 16)	**–**	6,843,701,346
Total Current Assets	**3,406,246,195**	9,715,695,438
Noncurrent Assets		
Advances to contractors (Note 8)	**13,293,694**	18,393,179
Investment properties (Notes 6, 9 and 20)	**9,165,931,034**	11,629,804,872
Property and equipment (Note 10)	**81,686,898**	68,394,882
Intangible assets (Notes 6, 7 and 20)	**1,054,470,180**	3,408,827,424
Other noncurrent assets (Note 11)	**250,528,341**	388,417,886
Total Noncurrent Assets	**10,565,910,147**	15,513,838,243
Total Assets	**₱13,972,156,342**	₱25,229,533,681
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	**₱1,222,657,329**	₱1,583,711,747
Current portion of:		
Lease liabilities (Note 20)	**1,848,085**	92,617,060
Security and other deposits (Note 15)	**96,987,598**	116,414,891
Loans payable (Notes 13, 25 and 26)	**–**	744,166,667
Dividends payable (Note 16)	**–**	6,611,906,765
Total Current Liabilities	**1,321,493,012**	9,148,817,130
Noncurrent Liabilities		
Bonds payable (Notes 14, 25 and 26)	**5,987,044,949**	5,974,168,846
Lease liabilities - net of current portion (Note 20)	**25,990,097**	2,097,498,105
Security and other deposits - net of current portion (Note 15)	**654,002,829**	732,659,169
Loans payable - net of current portion (Notes 13, 25 and 26)	**–**	1,600,000,000
Deferred tax liability - net (Note 19)	**–**	269,939,889
Other noncurrent liabilities (Notes 15 and 18)	**–**	300,385,682
Total Noncurrent Liabilities	**6,667,037,875**	10,974,651,691
Total Liabilities	**7,988,530,887**	20,123,468,821
Equity		
Capital stock (Note 16)	**2,446,388,997**	1,163,426,668
Additional paid-in capital (Note 16)	**2,518,356,922**	102,900,666
Deposit for future stock subscription (Notes 13 and 16)	**–**	1,889,583,333
Retained earnings (Note 16)	**1,018,879,536**	1,950,125,348
Remeasurement gain (loss) on retirement plan (Note 18)	**–**	28,845
Total Equity	**5,983,625,455**	5,106,064,860
Total Liabilities and Equity	**₱13,972,156,342**	₱25,229,533,681

See accompanying Notes to Parent Company Financial Statements.

FILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.)
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020 (As restated, see Note 2)
REVENUES		
Rental revenue (Notes 7, 9, 17 and 20)	**₱2,519,294,434**	₱2,833,413,910
Others (Notes 2 and 21)	**922,722,669**	1,048,582,442
	3,442,017,103	3,881,996,352
COSTS AND EXPENSES		
Depreciation and amortization (Notes 7, 9, 10, and 20)	**427,657,046**	486,065,150
Utilities	**277,795,323**	297,548,444
Rental expense (Notes 17 and 20)	**271,083,960**	297,968,918
Manpower and service cost	**235,494,750**	236,408,736
Repairs and maintenance	**183,504,663**	132,787,546
Taxes and licenses	**95,353,896**	118,895,084
Service and management fees (Note 17)	**63,754,897**	42,644,409
Insurance	**15,915,467**	4,019,860
Provision for expected credit loss (Note 5)	**7,417,014**	–
Others	**10,433,134**	9,034,919
	1,588,410,150	1,625,373,066
OTHER INCOME (CHARGES)		
Gain on derecognition of lease liabilities	**189,183,041**	5,842,526
Interest income (Notes 4, 5, 17 and 22)	**9,986,396**	3,908,966
Interest and other financing charges (Notes 13, 14 and 20)	**(348,226,313)**	(351,361,074)
Gain on sale of investment property (Notes 7 and 20)	**–**	65,038,584
Other charges – net	**(1,411,852)**	(2,319,005)
	(150,468,728)	(278,890,003)
INCOME BEFORE INCOME TAX	**1,703,138,225**	1,977,733,283
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)		
Current	**117,651,935**	231,150,026
Deferred	**(269,648,113)**	(114,258,532)
	(151,996,178)	116,891,494
NET INCOME	**1,855,134,403**	1,860,841,789
OTHER COMPREHENSIVE LOSS		
Item that will not be reclassified to profit or loss		
Remeasurement loss on retirement plan, net of tax (Note 19)	**–**	(1,055,090)
TOTAL COMPREHENSIVE INCOME	**₱1,855,134,403**	₱1,859,786,699
Basic/Diluted Earnings Per Share (Note 23)	**₱0.53**	₱0.80

See accompanying Notes to Parent Company Financial Statements.

ILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.)
ARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Deposit for Future Stock Subscription (Note 16)	Appropriated Retained Earnings (Note 16)	Unappropriated Retained Earnings (Note 16)	Remeasurement Gain/(Loss) on Retirement Plan (Note 18)	Total
				For the Year Ended December 31, 2021			
alances at January 1, 2021	**₱1,163,426,668**	**₱102,900,666**	**₱1,889,583,333**	**₱–**	**₱1,950,125,348**	**₱28,845**	**₱5,106,064,860**
omprehensive income							
Net income	–	–	–	–	**1,855,134,403**	–	**1,855,134,403**
Other comprehensive income	–	–	–	–	–	–	–
otal comprehensive income	–	–	–	–	**1,855,134,403**	–	**1,855,134,403**
eclassification of remeasurement to retained earnings					**28,845**	**(28,845)**	–
roperty dividends declared	–	–	–	–	**(1,690,426,790)**	–	**(1,690,426,790)**
ash dividends declared	–	–	–		**(1,095,982,270)**		**(1,095,982,270)**
dditional deposit for future stock subscription	–	–	**1,856,666,667**	–	–	–	**1,856,666,667**
pplication of deposit for future stock subscription and issuance of shares	**1,282,962,329**	**2,463,287,671**	**(3,746,250,000)**	–	–	–	–
tock issuance and transaction cost	–	**(47,831,415)**	–	–	–	–	**(47,831,415)**
alances at December 31, 2021	**₱2,446,388,997**	**₱2,518,356,922**	**₱–**	**₱–**	**₱1,018,879,536**	**₱–**	**₱5,983,625,455**
				For the Year Ended December 31, 2020			
alances at January 1, 2020	₱1,163,426,668	₱102,900,666	₱–	₱6,300,000,000	₱401,190,324	₱1,083,935	₱7,968,601,593
omprehensive income							
Net income	–	–	–	–	1,860,841,789	–	1,860,841,789
Other comprehensive income	–	–	–	–	–	(1,055,090)	(1,055,090)
otal comprehensive income	–	–	–	–	1,860,841,789	(1,055,090)	1,859,786,699
roperty dividends declared	–	–	–	–	(6,611,906,765)	–	(6,611,906,765)
eversal of appropriation	–	–	–	(6,300,000,000)	6,300,000,000	–	–
eposit for future subscription		–	1,889,583,333	–	–	–	1,889,583,333
alances at December 31, 2020	₱1,163,426,668	₱102,900,666	₱1,889,583,333	₱–	₱1,950,125,348	₱28,845	₱5,106,064,860

e accompanying Notes to Parent Company Financial Statements.

FILINVEST REIT CORP. (formerly Cyberzone Properties, Inc.)
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,703,138,225**	₱1,977,733,283
Adjustments for:		
Depreciation and amortization (Notes 6, 7, 9, 10, and 20)	**427,657,046**	486,065,150
Interest expense and other financing changes (Notes 13, 14 and 20)	**348,226,313**	351,361,074
Gain on derecognition of lease liability (Note 20)	**(189,183,041)**	(5,842,526)
Interest income (Note 4, 17 and 22)	**(9,986,396)**	(3,908,966)
Gain on sale of investment properties (Note 9)	**–**	(65,038,584)
Pension expense (Note 18)	**–**	487,197
Operating income before changes in operating assets and liabilities	**2,279,852,147**	2,740,856,628
Changes in operating assets and liabilities		
Decrease (increase) in:		
Receivables	**75,148,821**	(54,648,565)
Other current assets	**313,848,363**	(200,426,188)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(22,599,962)**	(191,226,805)
Other current liabilities	**–**	(129,337,085)
Security and other deposits	**(98,083,633)**	25,187,166
Other noncurrent liabilities	**(300,385,682)**	97,504,469
Net cash generated from operations	**2,247,780,054**	2,287,909,620
Interest received (Note 4)	**9,986,396**	3,908,966
Income tax paid	**(117,680,780)**	(231,583,519)
Net cash provided by operating activities	**2,140,085,670**	2,060,235,067
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and assignment of:		
Investment properties (Notes 6 and 9)	**615,458,031**	737,840,581
Intangible assets (Notes 6 and 7)	**971,793,929**	–
ProOffice Work Services, Inc. (Note 1)	**–**	17,162,936
Additions to:		
Investment properties (Notes 6 and 9)	**(413,237,259)**	(1,158,021,511)
Intangible assets (Notes 6 and 7)	**(152,341,910)**	(241,043,644)
Property and equipment (Note 10)	**(30,219,374)**	(16,760,634)
Decrease in:		
Advances to contractors	**5,099,485**	97,551,319
Other noncurrent assets (Note 11)	**5,493,291**	88,011,202
Net cash provided by (used in) investing activities	**1,002,046,193**	(475,259,751)

(Forward)

	Years Ended December 31	
	2021	2020
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from availments of loans payable (Note 13)	**₱–**	₱1,000,000,000
Payments of:		
Cash dividends (Note 16)	**(1,095,982,270)**	(348,339,734)
Principal portion of lease liabilities (Note 20)	**(14,397,140)**	(47,613,247)
Interest and transaction cost (Note 20)	**(315,074,354)**	(471,907,571)
Loans payable (Notes 13 and 25)	**–**	(1,355,454,545)
Net cash used in financing activities	**(1,425,453,764)**	(1,223,315,097)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,716,678,099**	361,660,219
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**870,517,532**	508,857,313
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,587,195,631**	₱870,517,532

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

Filinvest REIT Corp. (formerly Cyberzone Properties, Inc.) (the "Company" or "FILRT") was registered with the Philippine Securities and Exchange Commission (SEC) on January 14, 2000.

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

The 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 parent company financial statements.

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

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

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

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

Approval of the Parent company financial statements
The parent company financial statements were approved and authorized for issue by the BOD on March 15, 2022.

2. Summary of Significant Accounting Policies

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the parent company 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, 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the parent company financial statements of the Company. The nature and impact of each new standard and amendment are described below:

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

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic.

  A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;

- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

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

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

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

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

  The Company shall also disclose information about:

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

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

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

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15, *Revenue from Contracts with Customers* affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA charges wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020. The deferral will only be applicable for real estate transactions.

  The Company previously availed of the reliefs provided by the SEC and have accounted for the related revenue net of costs and expenses. As at January 1, 2021, the Company adopted PIC Q&A 2018-12-H retrospectively. The initial adoption has no impact on the Company's parent company statement of financial position and parent company statement of cash flows.

The impact of initial adoption in the parent company statement of comprehensive income follows:

Statement of comprehensive income for the year ended December 31, 2020

	Amounts prepared under		
	PFRS 15	Previous PFRS	Increase
Revenues and Income			
Others	₱1,048,582,442	₱274,359,236	₱774,223,206
Cost and Expenses			
Depreciation and amortization	486,065,150	441,025,865	45,039,285
Utilities	297,548,444	–	297,548,444
Manpower and service cost	236,408,736	34,502,895	201,905,841
Repairs and maintenance	132,787,546	–	132,787,546
Taxes and licenses	118,895,084	63,894,241	55,000,843
Service and management fees	42,644,409	7,462,542	35,181,867
Insurance	4,019,860	–	4,019,860
Others	9,034,919	6,295,399	2,739,520

Future Changes in Accounting Policy

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

Effective beginning on or after January 1, 2022

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

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

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the 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 Company.

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

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

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

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

Effective beginning on or after January 1, 2023

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

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

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

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have a material impact on the Company.

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

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

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

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

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures
  -

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

Effective beginning on or after January 1, 2024

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Parent company financial statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice.

Effective beginning on or after January 1, 2025

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

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

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

Deferred effectivity

- Amendments to PFRS 10, *Parent company financial statements*, and PAS 28, *Investments in Associates and Joint Ventures, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

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

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020.

  On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of the following provisions of this PIC Q&A until December 31, 2023.
  - Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)
  - Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E

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

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

  In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:
  - PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
  - PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

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

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)*
  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded

that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs,* considering that these inventories are ready for their intended sale in their current condition.

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

The IFRIC Agenda Decision has no impact to the Company.

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

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

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

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

Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in the parent company 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. or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the financial reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

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

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

The principal or the most advantageous market must be accessible to by the Company.

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

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

All assets and liabilities for which fair value is measured or disclosed in the parent company 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 parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial reporting period.

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

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

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

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

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

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

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

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

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

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

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

- The asset is held within the Company's business model whose objective is to hold assets in order to collect contractual cash flows; and

- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the parent company statement of comprehensive income.

The Company classified cash and cash equivalents, receivables and deposits (included under other noncurrent assets) as financial assets at amortized cost (see Notes 4 and 5).

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

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

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

A change in the objective of the Company's business model must be 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 (see Notes 12, 13, 14, 15 and 17).

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest. The effective interest amortization is included as finance costs in the parent company statement of comprehensive income.

Impairment of Financial Assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual

cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the lessee's deposit held or other credit enhancements that are integral to the contractual terms.

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

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

The Company considers receivables in default when contractual payments are sixty (60) days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

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

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

Value-added Tax (VAT)
Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company 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 parent company statement of financial position.

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

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

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

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

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

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

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

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

Property and Equipment

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

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

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

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

	Years
Land improvements	5
Furniture and fixtures	3 - 5

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

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

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

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

Noncurrent Assets Held for Distribution
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 program 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, 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.

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

The Company presents the noncurrent assets classified as held for distribution through property dividend or reimbursement separately from other assets as "Noncurrent assets held for distribution" in the parent company statement of financial position. The liabilities related to the disposal group classified as held for distribution are presented separately from other liabilities as "Liabilities directly related to noncurrent assets held for distribution" in the parent company statement of financial position.

Impairment of Nonfinancial Assets

The Company assesses at each financial reporting date whether there is an indication that its nonfinancial asset (e.g., advances to contractors, investment properties, property and equipment, intangible assets, and other assets) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the parent company statement of comprehensive income.

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

Equity

Capital stock and additional paid-in capital

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

Deposits for future stock subscription

Deposit for future stock subscription (DFFS) are recorded based on the subscription amount received and are presented under liabilities unless the following items were met for classification as part of equity:

- There is a lack or insufficiency of authorized unissued shares of stock to cover the deposit;

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

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

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

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options.
Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Net Asset Value (NAV) Per Share
The NAV per share is calculated by dividing the adjusted NAV by the total outstanding shares of the Parent Company. The adjusted NAV is equal to total assets plus the fair value adjustment of deposited properties and investible funds held by the Parent Company less total liabilities (see Note 16).

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

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

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

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

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

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

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

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 Company's costs incurred in leasing properties and expenses related to administering its business. These are generally recognized as incurred and measured at the amount paid or payable.

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 profit or loss. 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 profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in 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 parent company statement of financial position). Capitalization ceases when pre-selling of real estate inventories under construction commences. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the report date.

Deferred tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluation. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be used.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the report date.

Deferred tax relating to items recognized in other comprehensive income or directly in equity is also recognized in other comprehensive income and not in profit or loss.

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

Company as lessee

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

Right-of-use-assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

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

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

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

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

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

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

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

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

Short-term leases
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

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

Segment Reporting
The Company's operating businesses are organized and managed according to the nature of the products and services provided. The Company has determined that it is operating as one operating segment as of December 31, 2021 and 2020 (see Note 24).

Provisions
A provision is recognized only when the following conditions are present: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made on the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense. Provisions are reviewed at each financial report date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. These are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the parent company 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 Company's position at the financial reporting date (adjusting events) are reflected in the parent company financial statements. Any year-end events that are not adjusting event is disclosed in the parent company financial statements when material.

3. Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the parent company financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the parent company 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 parent company financial statements as they become reasonably determinable.

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

Judgments

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

Adoption of a 'no tax' regime for the Parent Company

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

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

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

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

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

The renewal options for leases of office spaces and land for certain real estate developments were not included as part of the lease term because the Company assessed that renewal is not reasonably certain (see Note 20).

Operating lease commitments - Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on the evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the investment property, that it retains all the significant risks and rewards of ownership of these properties and accounts for these contracts as operating lease (see Note 20).

Build Transfer Operate (BTO) Agreement with Cebu Province - Company as operator

On March 26, 2012, FLI entered into a BTO agreement with The Province of Cebu (Cebu Province). The BTO project relates to the development, construction, and operation of Business Process Outsourcing (BPO) Complex by the 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 parent company statement of financial position (see Note 7).

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 (see Note 11).

Classification of noncurrent assets held for distribution
As of December 31, 2020, the Parent Company has noncurrent assets held for distribution amounting to ₱6,843.7 million related to property dividends declared by the Parent Company (nil as of December 31, 2021). The Parent Company assessed that the distribution of these investment properties, by way of property dividends and reimbursement from FLI, is highly probable considering that actions to complete the distribution have been initiated and are expected to be completed within one year. These investment properties will be derecognized in the parent company financial statements once the SEC approves the distribution of the dividends and the Parent Company is compensated for the additions made from date of declaration to the date of distribution.

On July 15, 2021, the SEC approved the property dividend declaration and the Parent Company was compensated for additions subsequent to date of declaration. Refer to Notes 6 and 16 for the related disclosures on noncurrent assets held for distribution and directly related liabilities.

Impairment assessment of nonfinancial assets
The Company assesses at each financial reporting date whether there is any indication that the nonfinancial assets (investment properties and intangible assets) may be impaired. The Company considers indications of impairment such as significant changes in asset usage, significant decline in market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indication exists, the Company estimates the recoverable amount of the asset, which is the higher of the asset's fair value less cost to sell and value in use.

The Company has determined that the COVID-19 pandemic has no impact and is not considered as an impairment indicator in the impairment assessment of nonfinancial assets. As of December 31, 2021 and 2020, no impairment indicators were identified for the Company's nonfinancial assets (see Notes 7, 9 and 20).

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

Provision for expected credit losses of trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company is calibrating the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., GDP, inflation) are expected to deteriorate over the next year which can lead to an increase in the rental rates, the historical default rates are adjusted. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

Company has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of expected credit loss. The Company also considers the security deposit and advance rentals available to cover exposure to credit loss. As of December 31, 2021, and 2020, the Company's allowance for ECL on its trade receivables amounted to ₱7.7 million and ₱0.3 million, respectively (see Note 5).

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

As of December 31, 2021, the Company made an assessment that it will effectively operate as an income tax-free entity and as such, has not recognized any deferred tax assets. As of December 31, 2020, deferred tax assets amounted to ₱269.2 million (see Note 19).

4. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand and in banks	**₱515,722,841**	₱602,644,513
Cash equivalents	**2,071,472,790**	267,873,019
	₱2,587,195,631	₱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 0.25% to 1.25% and 0.10% to 3.75% for the year ended December 31, 2021 and 2020 respectively.

Interest earned from cash and cash equivalents amounted to ₱6.3 million and ₱3.9 in 2021 and 2020, respectively (see Note 22).

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

5. Receivables

This account consists of:

	2021	2020
Trade receivables (Note 17)	**₱730,984,104**	₱799,278,543
Advances to officers and employees	**31,713,801**	29,632,452
Others	**–**	1,518,717
	762,697,905	830,429,712
Less allowance for ECL	**7,702,272**	285,258
	₱754,995,633	₱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 rent paid by the lessees. All overdue and unpaid rent, dues and charges are subject to interest at 18% per annum and penalty of 24% per annum. Interest and penalties from late payments amounted to ₱3.6 million and nil for the year ended December 31, 2021 and 2020, respectively (see Note 22).

In 2021, the Company has recognized provision for ECL on its trade receivables. Movement in the Company's allowance for ECL follow:

	2021	2020
At January 1	**₱285,258**	₱285,258
Provisions	**7,417,014**	–
At December 31	**₱7,702,272**	₱285,258

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

Others include advances of real property tax on land leased by the Company subject to reimbursement.

6. Noncurrent Assets Held for Distribution

This account consists of:

	2021	2020
Net book value of investment properties		
Investment properties declared as property dividends (Notes 9 and 16)	**₱6,914,270,136**	₱6,611,906,765
Additions to construction in progress	**570,628,432**	231,794,581
Right of use assets (Notes 9 and 20)	**54,463,438**	–
Net book value of intangible assets		
BTO rights declared as property dividends (Notes 7 and 16)	**1,388,063,419**	–
Additions to BTO rights	**5,669,692**	
Right of use assets (Notes 7 and 20)	**27,505,758**	–
Derecognition of noncurrent assets held for distribution (Note 16)	**(8,960,600,875)**	–
	₱–	₱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, net of depreciation and amortization, declared as property dividends from the date of declaration up to July 15, 2021 subject to reimbursement by FLI, and the related right of use assets for the land subleased by the Parent Company where these properties were constructed.

The SEC issued the certificate of filing the notice of the property dividend declaration for the noncurrent assets held for distribution on July 15, 2021 and subsequently these assets were distributed to FLI and derecognized in the parent company financial statements.

7. Intangible Assets

On March 26, 2012, FLI entered into a BTO agreement with Cebu Province. This was subsequently assigned to the Company in August 2012 (see Note 3).

"BTO rights" relate to the development cost, construction and operation of BPO Complex at the land properties owned by Cebu Province. As of December 31, 2021 and 2020, cost of completed portion pertaining to Cebu Towers 1 of the BTO project amounted to ₱1.3 billion.

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

The rollforward analysis of intangible assets follows:

	2021		
	BTO Rights	**Right-of-Use Assets (Note 20)**	**Total**
Cost			
Balance at beginning of year	**₱3,576,270,821**	**₱112,423,917**	**₱3,688,694,738**
Additions	**146,672,218**	**–**	**146,672,218**
Reclassification (Note 6)	**(1,430,406,718)**	**(30,115,793)**	**(1,460,522,511)**
Derecognition (Note 17)	**(966,124,237)**	**(60,231,586)**	**(1,026,355,823)**
Balance at end of year	**1,326,412,084**	**22,076,538**	**1,348,488,622**
Accumulated Depreciation			
Balance at beginning of year	**270,873,400**	**8,993,914**	**279,867,314**
Depreciation	**57,169,464**	**1,485,377**	**58,654,841**
Reclassification (Note 6)	**(36,673,607)**	**(2,610,035)**	**(39,283,642)**
Derecognition (Note 17)	**–**	**(5,220,071)**	**(5,220,071)**
Balance at end of year	**291,369,257**	**2,649,185**	**294,018,442**
Net Book Value	**₱1,035,042,827**	**₱19,427,353**	**₱1,054,470,180**

	2020		
	BTO Rights	Right-of-Use Assets (Note 20)	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 (Notes 9 and 10)	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 (Notes 9 and 10)	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

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 February 26, 2021, the Parent Company and FLI executed deed of assignment of rights for the transfer of the properties. Hence, the cost of these properties, including the related right-of use assets and lease liabilities, were derecognized (see Note 17).

The derecognition of the right-of-use assets and lease liabilities amounting ₱82.5 million and ₱112.3 million, respectively, resulted to gain on derecognition of lease liabilities presented in the parent company statement of comprehensive income amounting ₱30.4 million in 2021 (see Note 20).

Rental income recognized arising from the BTO agreement amounted to ₱207.9 million and ₱215.5 million in 2021 and 2020, respectively.

Tenant dues from BTO rights amounted to ₱72.9 million and ₱92.0 million in 2021 and 2020, respectively (see Note 21).

Operating expenses incurred for maintaining and operating these assets amounted to ₱93.7 million and ₱126.4 million in 2021 and 2020, respectively.

Borrowing costs capitalized on the BTO project amounted to ₱4.3 million and ₱81.8 million in 2021 and 2020, respectively (see Notes 13 and 14). The capitalization rates used in 2021 and 2020 range from 4.0% to 5.2%.

Contractual obligations to acquire and construct intangible assets amounted to nil and ₱1,500.0 million as of December 31, 2021 and 2020, respectively.

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 ₱13.3 million and ₱18.4 million as of December 31, 2021 and 2020, respectively.

9. Investment Properties

The rollforward analyses of this account follows:

	2021					
	Land	**Buildings and Improvement**	**Construction in-progress**	**Right-of-use asset (Note 20)**	**Others**	**Total**
Cost						
Balance at beginning of year	₱–	₱11,953,070,219	₱–	₱1,946,930,753	₱158,204,744	₱14,058,205,716
Additions	–	60,686,413	–	–	13,716,995	74,403,408
Derecognition (Note 20)	–	–	–	(1,884,771,395)	(44,191,728)	(1,928,963,123)
Reclassification (Notes 6 and 16)	–	(528,355,502)	–	(62,159,358)	–	(590,514,860)
Balance at end of year	–	11,485,401,130	–	–	127,730,011	11,613,131,141
Accumulated Depreciation						
Balance at beginning of year	–	2,339,348,223	–	39,188,512	49,864,109	2,428,400,844
Depreciation	–	267,057,842	–	11,286,856	28,900,550	307,245,248
Derecognition (Note 20)	–	–	–	(42,779,448)	(11,978,486)	(54,757,934)
Reclassification (Notes 6 and 16)	–	(225,992,131)	–	(7,695,920)	–	(233,688,051)
Balance at end of year	–	2,380,413,934	–	–	66,786,173	2,447,200,107
Net Book Value	₱–	9,104,987,196	₱–	₱–	₱60,943,838	₱9,165,931,034

	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 (Note 20)	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 (Note 20)	–	–	–	(264,490,746)	–	(264,490,746)
Reclassification (Notes 7, 10 and 16)	(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 (Note 20)	–	–	–	(3,396,956)	–	(3,396,956)
Reclassification (Notes 7, 10 and 16)	–	(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 Company's office buildings.

Investment properties pertain to the Company'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 year ended December 31, 2021 and 2020, respectively (see Notes 13 and 14). The capitalization rates used range from 4.0% to 5.6% and 4.0% to 5.5% in 2021 and 2020, respectively.

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

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

Rental income from investment properties amounted to ₱2,311.4 million and ₱2,617.9 million in 2021 and 2020 respectively. Tenant dues from investment properties amounted to ₱796.5 million and ₱907.3 million in 2021 and 2020, respectively (see Note 21).

Operating expenses incurred for maintaining and operating these investment properties amounted to ₱1,067.0 million and ₱1,018.8 million in 2021 and 2020, respectively.

Contractual obligations to acquire investment properties amounted to nil and ₱1,500.0 million as of December 31, 2021 and, 2020, respectively. As of December 31, 2021, investment properties are not used as collateral and is not subject to any existing liens and encumbrances.

10. Property and Equipment

The rollforward analysis of this account follows:

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

	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 December 31, 2021 and 2020, property and equipment is not used as collateral and is not subject to any encumbrances.

11. Other Assets

Other current assets consist of:

	2021	2020
Creditable withholding tax	**₱23,411,881**	₱94,649,221
Input VAT - net	**12,596,885**	986,282,331
Prepayments	**8,500,982**	68,233,324
Others	**19,545,183**	33,658,745
	64,054,931	1,182,823,621
Less noncurrent portion of input VAT	**–**	11,491,515
	₱64,054,931	₱1,171,332,106

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

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

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

Others include office and maintenance supplies.

Other noncurrent assets consist of:

	2021	2020
Prepaid DCS connection charges (Note 17)	**₱197,031,019**	₱336,023,216
Deposits	**53,497,322**	40,903,155
Input VAT - noncurrent portion	**–**	11,491,515
	₱250,528,341	₱388,417,886

Prepaid DCS connection charge is amortized using straight line method based on the contract period of connection. Amortization of connection fee amounting to ₱6.6 million and ₱16.2 million in 2021 and 2020, respectively is presented as "Others" in the parent company statement of comprehensive income.

The rollforward analysis of Prepaid DCS connection charge follows:

	2021	2020
Cost		
Balance at beginning of year	**₱382,860,734**	₱316,250,070
Additions (Note 17)	**–**	66,610,664
Derecognition (Note 17)	**(135,183,308)**	–
Balance at end of year	**247,677,426**	382,860,734
Accumulated Amortization		
Balance at beginning of year	**46,837,518**	30,672,764
Amortization	**6,595,943**	16,164,754
Derecognition (Note 17)	**(2,787,054)**	–
Balance at end of year	**50,646,407**	46,837,518
Net Book Value	**₱197,031,019**	₱336,023,216

In 2021, the Company derecognized prepaid DCS pertaining to property dividends distributed to FLI (see Note 17).

Deposits pertain to electric meter deposits and security deposits.

12. Accounts Payable and Accrued Expenses

This account consists of:

	2021	2020
Advances from tenants	**₱477,748,494**	₱566,558,897
Accrued expenses (Note 17)	**254,501,467**	262,209,073
Payable to suppliers	**140,045,076**	121,453,381
Accrued interest payable (Notes 13 and 14)	**102,221,010**	113,036,580
Due to related parties (Note 17)	**86,102,391**	181,541,991
Payable to contractors (Note 9)	**84,857,304**	123,491,053
Withholding taxes payable	**48,507,499**	38,206,363
Retention payable - current portion (Note 15)	**28,674,088**	177,214,409
	₱1,222,657,329	₱1,583,711,747

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

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

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

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

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

Accrued interest payable pertains to accrual of interest of bonds and loans outstanding as at year end.

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

13. Loans Payable

As of December 31, 2020, this account consists of (nil as of December 31, 2021):

Developmental loans from local banks (Note 16)	₱2,344,166,667
Less current portion of loans payable	744,166,667
Noncurrent portion of loans payable	₱1,600,000,000

These loans are obtained to finance the construction of buildings for rental. Developmental loans from local banks will mature on various dates up to 2024. These peso-denominated loans bear floating interest rates equal to 91-day PDST-F rate plus a spread of 1% per annum, prevailing market rate, or fixed interest rates of 4.00% to 5.22% per annum.

Loans availed by the Company for the years ended December 31, 2021 and 2020 amounted to nil and ₱1,000.0 million, respectively. Principal payments made in 2020 amounted to ₱984.6 million, nil in 2021 (see Note 27).

Capitalized interest expense relating to loans payable amounted to ₱10.0 million and ₱133.4 million in 2021 and 2020, respectively (see Notes 7 and 9). The capitalization rates used in 2021 and 2020 ranges from 4.0% to 5.6%.

Total interest expense charged to the parent company statements of comprehensive income amounted to ₱7.9 million and ₱81.6 million in 2021 and 2020 respectively.

On December 9, 2020, the Parent Company and FLI entered into an agreement for the assignment of the Parent Company's developmental loans outstanding as of November 30, 2020 amounting to ₱4,233.8 million. On December 9, 2020, the Parent Company notified the banks in writing of the assignment of loans.

As of December 31, 2021, the Parent Company received the letters of consent from all the banks authorizing the assignment of the loans to FLI. As of December 31, 2021, total loans payable assigned to FLI and derecognized in the parent company statement of financial position amounted to ₱3,863.0 million, inclusive of amounts derecognized as of December 31, 2020 amounting to ₱1,518.8 million.

In December 2020, FLI also paid total principal installment due amounting to ₱370.8 million on behalf of the Parent Company. The principal installment paid by FLI and the portion of the derecognized loans were recognized as deposit for future stock subscription as of December 31, 2020 (see Note 16).

The Company's loans payable is 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 December 31, 2021, and 2020, the Company is not in breach of these covenants and has not been cited in default on any of its outstanding obligation.

14. Bonds Payable

On July 7, 2017, the Company issued fixed rate bonds with aggregate principal amount of ₱6,000.0 million and term of five and a half (5.5) years from the issue date or in January 2023. The fixed rate is 5.05% per annum, payable quarterly in arrears starting October 7, 2017. As of December 31, 2021 and 2020, the outstanding balance of bonds payable amounted to ₱5,987.0 million and ₱5,974.2 million, respectively.

The bonds are redeemable at 100% of face value on maturity date, which is January 7, 2023, unless the Company exercises its early redemption option. Interest expense which was capitalized relating to bonds payable amounted to nil and ₱108.8 million in 2021 and 2020, respectively (see Notes 7 and 9).

Total interest expense charged to the parent company statements of comprehensive income amounted to ₱307.2 million and ₱199.2 million in 2021 and 2020, respectively.

Unamortized debt issuance cost on bonds payable amounted ₱13.0 million and ₱25.8 million as of December 31, 2021 and 2020, respectively. Amortization of transaction costs included under "Interest and other financing charges" in the parent company statements of comprehensive income amounted to ₱12.9 million and ₱12.8 million in 2021 and 2020, respectively.

The bonds require the Company to maintain a maximum debt-to-equity ratio of 2.33x and minimum debt service coverage ratio of 1.1x. As of December 31, 2021, and 2020, the Company is not in breach of these financial covenants and has not been cited in default on any of its outstanding obligation.

15. Other 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:

	2021	2020
Current portion	**₱96,987,598**	₱116,414,891
Noncurrent portion	**654,002,829**	732,659,169
	₱750,990,427	₱849,074,060

Other noncurrent liabilities
As of December 31, 2020, this account consists of (nil as of December 31, 2021):

Retention payable - net of current portion	₱296,558,325
Retirement liabilities (Note 18)	3,827,357
	₱300,385,682

16. Equity

Paid-up Capital
Details of the Parent Company's capital stock as of December 31 follow:

	2021		2020	
	Shares	**Amount**	Shares	Amount
Authorized number of shares				
Balances at beginning of year	**4,000,000,000**	**₱2,000,000,000**	2,000,000,000	₱2,000,000,000
Increase in authorized capital stock (a)	**5,131,849,000**	**5,131,849,000**	–	–
Stock split	**5,131,849,000**	**–**	2,000,000,000	–
Balances at end of year	**14,263,698,000**	**₱7,131,849,000**	4,000,000,000	₱2,000,000,000

	2021		2020	
	Shares	**Amount**	Shares	Amount
Issued and outstanding				
Balances at beginning of year	**2,326,853,336**	**₱1,163,426,668**	1,163,426,668	₱1,163,426,668
Issuance of new shares	**1,282,962,329**	**1,282,962,329**	–	–
Stock split	**1,282,962,329**	**–**	1,163,426,668	–
Balances at end of year	**4,892,777,994**	**₱2,446,388,997**	2,326,853,336	₱1,163,426,668

The NAV per share as of December 31, 2021 is ₱9.07.

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 (see Note 13).

As of December 31, 2020, deposit for future stock subscription amounted to ₱1,889.6 million, respectively, inclusive of the assigned loans payable amounting to ₱1,518.8 million and principal installments on loans paid by FLI on behalf of the Parent Company prior to assignment of loans in December 2020 amounting to ₱370.8 million (see Note 13).

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 ₱2,000.0 million divided into 2,000.0 million common shares with a par value of ₱1.00 per share to ₱7,131.8 million divided into 14,263,698,000 common shares with a par value of ₱0.50 per share (see Note 23).

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

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

As of December 31, 2021, there are 13,067 holders of security of the Parent Company.

Retained Earnings

Appropriation

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

Declaration of Property Dividends

On February 11, 2021, the BOD approved the declaration of the operational office buildings FLI Edsa, IT School, Concentrix Building (Convergys Building) and Cebu Tower 2 as property dividends. The aggregate carrying value of the properties amounted to ₱1,690.4 million (see Note 6).

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 (see Note 6).

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

Declaration of Cash Dividends

The following table shows the cash dividends declared by the Parent Company's BOD on the outstanding capital stock:

Declaration date	Record date	Dividend per common shares	Total dividends declared	Payment date
August 31, 2021	September 15, 2021	₱0.112	₱547,991,135	September 30, 2021
November 18, 2021	December 3, 2021	0.112	547,991,135	December 20, 2021

After reconciling items, the Company's retained earnings available for dividend declaration as of December 31, 2021 and 2020 amounted to ₱1,018.9 million and ₱1,680.9 million, respectively.

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

	2021	2020
a. Dividends	**₱2,786,409,060**	₱6,611,906,765
b. Weighted average number of outstanding common shares	**3,514,911,602**	1,163,426,668
Dividends per share (a/b)	**₱0.79**	₱5.68

Distributable Income under the IRR of REIT Act of 2009
Under the Revised Implementing Rules and Regulations of REIT Act of 2009, section 4c, the Parent Company shall present a computation of its distributable dividend taking into consideration requirements under the provisions of the Act and the Rule. Distributable income is not a measure of performance under the PFRS. For the year ended December 31, 2021, the distributable income amounted to ₱1,855.1 million, inclusive of distributable income from January 1 to August 11, 2021 (pre-REIT listing) and August 12 to December 31, 2021 (post-REIT listing) amounting to ₱1,316.4 million and ₱538.7 million, respectively.

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

The following table shows how the Company computes for its debt-to-equity ratio:

	2021	2020
Bonds payable (Note 14)	**₱5,987,044,949**	₱5,974,168,846
Lease liabilities (Note 20)	**27,838,182**	2,190,115,165
Loans payable (Note 13)	**–**	2,344,166,667
	6,014,883,131	10,508,450,678
Equity	**5,982,498,127**	5,106,064,860
Debt-to-equity ratio	**1.01:1**	2.06:1

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

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

17. Related Party Transactions

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

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

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

Outstanding balances as at December 31, 2021 and 2020 are unsecured, interest free and require settlement in cash, unless otherwise stated. As of December 31, 2021 and 2020, the Company has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

A summary of the Company's related party transactions are shown in the table below:

	2021				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Bank under common control					
Cash and cash equivalents	**₱2,219,841,487**	**₱2,219,841,487**	0.1010% to 3.75%	No impairment	17 (a)
Interest income	**4,062,940**	–			
	₱2,223,904,427	**₱2,219,841,487**			
Trade receivables (Note 5)					
Parent Company					
Rental revenue	**₱25,827,386**	**₱4,140,316**	Noninterest-bearing; due and demandable	Unsecured	17 (b)
Affiliate					
Rental revenue	**96,513,930**	**29,374,766**	Noninterest-bearing; collectible every 20th day of the month	Unsecured	17 (b)
Service fee income (Note 21)	**31,381,132**	–	Noninterest-bearing	Unsecured	17 (b)
Commission income (Note 21)	–	–	Noninterest-bearing	Unsecured	17 (d)
	₱153,722,448	**₱33,515,082**			
Other Noncurrent Asset					
Affiliate					
DCS connection charge (Note 11)	**(148,925,007)**	**₱203,626,962**		No impairment	17 (f)
Connection fees (Note 11)	**(9,568,811)**	**(6,595,943)**			
	(₱138,992,197)	**₱197,031,019**			
Accounts payable and accrued expenses (Note 12)					
Parent Company					
Rental expense	**(₱41,183,886)**	**(₱41,183,886)**	Noninterest-bearing; payable on demand	Unsecured	17 (c)
Affiliate					
Service and energy fees	**(12,276,703)**	**(34,050,962)**	Noninterest-bearing	Unsecured	17 (f)
Affiliate					
Service fee	**(9,925,905)**	**(4,024,132)**	Noninterest-bearing; payable on demand	Unsecured	17 (d)
Management fee, manpower cost and others	**(6,843,411)**	**(6,843,411)**	Noninterest-bearing; payable on demand	Unsecured	17 (d)
	(₱70,229,905)	**(₱86,102,391)**			

(Forward)

	2021				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Lease liabilities					
Parent Company					
Lease liabilities (Note 20)	**(₱2,162,276,983)**	**₱–**	Noninterest-bearing; payable	Unsecured	17 (c)
Other Noncurrent Liabilities					
Parent Company					
Security deposit	**₱549,299**	**(₱7,827,359)**	Noninterest-bearing; payable	Unsecured	17 (b)
Affiliate					
Security deposits	**6,732,636**	**(20,866,382)**	Noninterest-bearing; payable	Unsecured	17 (b)
	₱7,281,935	**(₱28,693,741)**			

	2020				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Bank under common control					
Cash and cash equivalents	₱738,640,515	₱738,640,515	0.1010% to 3.75%	No impairment	17 (a)
Interest income	3,908,966	–			
	₱742,549,481	₱738,640,515			
Trade receivables (Note 5)					
Parent Company					
Rental revenue	₱24,965,196	₱306,370	Noninterest-bearing; due and demandable	Unsecured	17 (b)
Affiliate					
Rental revenue	88,007,272	146,729	Noninterest-bearing; collectible every 20th day of the month	Unsecured	17 (b)
Service fee income (Note 21)	8,990,356	–	Noninterest-bearing	Unsecured	17 (d)
Commission income (Note 21)	23,166,200	–	Noninterest-bearing	Unsecured	17 (d)
	₱145,129,024	₱453,099			
Other Noncurrent Asset					
Affiliate					
DCS connection charge (Note 11)	₱15,266,782	₱352,187,969		No impairment	17 (f)
Connection fees (Note 12)	–	(16,164,753)			
	₱15,266,782	₱336,023,216			
Accounts payable and accrued expenses (Note 12)					
Parent Company					
Rental expense	(₱304,190,850)	₱–	Noninterest-bearing; payable on demand	Unsecured	17 (c)
Affiliate					
Advances	(350,000,000)	–	Interest-bearing at 6.0%, payable on demand	Unsecured	
Accrued interest	(9,966,667)	–	Noninterest-bearing	Unsecured	17 (e)
Service and energy fees (Note 20)	(290,551,981)	(46,327,665)	Noninterest-bearing; payable on demand	Unsecured	17 (f)
Rental expense	(4,467,493)	–	Noninterest-bearing	Unsecured	17 (c)
Affiliate			Noninterest-bearing; payable on demand	Unsecured	
Service fee	(35,361,288)	(13,950,037)			17 (d)
Management fee and manpower cost	–	–	Noninterest-bearing; payable on demand	Unsecured	
	(₱994,538,279)	(₱60,277,702)			

(Forward)

	2020				
	Amount/ Volume	Outstanding balance	Terms	Conditions	Note
Lease liabilities					
Parent Company					
Lease liabilities (Note 20)	(₱2,149,262,141)	(₱2,190,115,165)	Noninterest-bearing; payable	Unsecured	17 (c)
Other Noncurrent Liabilities					
Parent Company					
Security deposit	(₱7,278,060)	(₱7,278,060)	Noninterest-bearing; payable	Unsecured	17 (b)
Affiliate					
Security deposits	(12,018,424)	(14,133,746)	Noninterest-bearing; payable	Unsecured	17 (b)
	(₱19,296,484)	(₱21,411,806)			

Significant related party transactions are as follows.

a) The Company 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 - Company 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. Lease period is 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 spaces in the Parent Company's buildings. Lease period is from September 2, 2019 to September 1, 2024 for Axis Tower 1 and April 1, 2021 to March 31, 2031 for Vector One office.

The Parent Company, as a lessor, entered into a space rental agreement with Pro-Excel Property Managers, Inc. (PEPMI), an affiliate, for the office space in one of the Parent Company's buildings. Lease period is from July 15, 2020 to July 14, 2025. The lease was pre-terminated as a result of the property dividend distribution effective July 14, 2021.

The Parent Company, as a lessor, entered into a space rental agreement with Dreambuilders Pro, Inc. (DPI), a fellow subsidiary under FLI, for the office space in one of the Parent Company's buildings. Lease period is from August 10, 2017 to October 9, 2022. The lease was pre-terminated as a result of the property dividend distribution effective July 14, 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 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 - Company 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 (see Note 20):
- 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 follows (see Note 20):
- 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.

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), and Filinvest Asia Corp. (FAC), 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 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 maintain, manage, and market each Property, subject to the overall management and directions of the Fund Manager.

- The Parent Company entered into a service agreement with FREIT Fund Manager, Inc. (FFMI), an affiliate, whereby the Parent Company shall engage and pay the services rendered by the latter to execute and implement the investment strategies for the 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.

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.

Amortized portion of DCS connection charge pertaining to existing buildings amounted to ₱12.6 million and ₱15.0 million in 2021 and 2020, respectively. These amounts were recognized as part of utilities expense in parent company statement of comprehensive income (see Note 2). In 2021, the Company derecognized prepaid DCS amounting ₱132.4 million pertaining to property dividends distributed and was charged to FLI. Connection and service charges incurred for these buildings as of December 31, 2021 and 2020, aggregated to ₱197.0 million and ₱336.0 million, respectively (see Note 11).

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 amounting to ₱966.1 million was settled in November 2021.

Key Management Personnel
The key management functions of the Company are handled by FCI starting March 2021. For the years ended December 31, 2021 and 2020, compensation of other key management personnel directly paid by the Company pertains to short-term employee benefit amounting ₱1.5 million and ₱9.7 million, respectively.

18. Retirement Cost

The Company has a noncontributory, funded defined benefit pension plan covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The retirement plan provides retirement benefits (equivalent to 70% to 125% of the final monthly salary for every year of service) after satisfying certain age and service requirements. The Company accrues retirement costs (included in "Retirement liability" in the parent company statements of financial position) based on an actuarially determined amount using the PUC method.

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Company updates the actuarial valuation by hiring the services of a third party professionally qualified actuary.

As of December 31, 2021, the Company has no remaining employees and the administrative functions were transferred to FCI (see Note 17). The retirement obligation outstanding as of December 31, 2020 has been reclassified to 'Due to related parties' under accounts payable and accrued expenses in the parent company statements of financial position.

The following tables summarize the components of "Pension expense" recognized in the parent company statements of comprehensive income and "Retirement liability" recognized as part of other noncurrent liabilities in the parent company statements of financial position for the existing retirement plan as of December 31, 2020.

The funded status and amounts recognized in the parent company statements of financial position for the pension plan follow:

Present value of defined benefit obligation	₱5,141,352
Fair value of plan assets	(1,313,995)
Net pension liabilities	₱3,827,357

In 2020, the recognized pension expense in profit or loss amounted to ₱0.49 million and the remeasurements recognized in other comprehensive income amounted to ₱1.3 million.

Changes in the present value of the defined benefit obligation follow:

	2021	2020
Balance at beginning of year	**₱5,141,352**	₱1,832,889
Current service cost	–	457,912
Interest expense	–	141,394
Amount to be recognized in OCI	–	2,709,157
Transfers	**(5,141,352)**	–
Balance at end of year	**₱–**	₱5,141,352

Changes in the fair value of plan assets follow:

	2021	2020
Balance at beginning of year	**₱1,313,995**	₱–
Contribution	–	1,419,104
Interest income	–	112,109
Remeasurement losses on plan assets	–	(217,218)
Transfers	**(1,313,995)**	(217,218)
Balance at end of year	**₱–**	₱1,313,995

As of December 31, 2020, the plan asset amounting to ₱1.3 million pertains to cash. The Company reviews the level of funding required for the retirement plan. The Company's objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the benefit obligations.

Maturity analysis of the undiscounted benefit payments as of December 31, 2020 follows:

Year 1	₱4,429
Year 2	5,408
Year 3	6,639
Year 4	8,258
Year 5	10,241
Year 6 to 50	102,562,979

The principal assumptions used in determining pension benefits as of December 31, 2020 includes discount rate and salary increase rate of 4.1% and 8.0%, respectively.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (per 100 basis points) assuming all other assumptions were held constant:

	Increase (Decrease)	Impact on DBO Increase (Decrease)
Discount rates	(18%)	(₱4,193,468)
	24%	6,349,599
Salary rates	22%	6,296,529
	(17%)	(4,253,434)

Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level of the remaining life of the obligation.

19. Income Tax

On June 6, 2000, the Company was registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provisions of Republic Act 7916 as an Economic Zone (ECOZONE) Facilities Enterprise. As a registered enterprise, the Company is entitled to certain tax benefits and non-tax incentives such as exemption from payment of national and local taxes and in lieu thereof a special tax rate of five percent (5%) of gross income. The Company is also entitled to zero percent (0%) value added tax for sales made to ECOZONE enterprises.

The breakdown of provision for income tax shown in the parent company statements of comprehensive income follows:

	2021	2020
At 5% statutory income tax rate	**₱35,471,289**	₱70,860,967
Net result from non-PEZA activities:		
Current	**82,180,646**	160,289,059
Deferred	**(269,648,113)**	(114,258,532)
	(₱151,996,178)	₱116,891,494

The current provision for income tax represents RCIT in 2021 and 2020. Prior to the Parent Company's listing date on August 12, 2021, the Parent Company recognized provision for income tax amounting to ₱117.7 million. The Parent Company started to avail of its tax incentive as a REIT after its listing.

As of December 31, 2021, deferred tax assets and liabilities are recognized based on the Company's effective tax rate of 0% under the REIT law. As of December 31, 2020, the components of the Company's net deferred tax assets (liability) follows:

Presented in profit or loss	
Deferred tax assets	
Lease liabilities	₱200,002,363
Advance rentals	66,779,445
Provision for future major repairs	1,812,946
Accrual of pension obligation	514,052
Provision for doubtful accounts	85,577
Unrealized foreign currency exchange loss	13,067
	269,207,450
Deferred tax liabilities	
Capitalized borrowing costs	(258,925,373)
Adjustment related to straight-line recognition of rental revenue	(119,797,641)
Right-of-use assets	(160,802,325)
	(539,525,339)
	(270,317,889)
Presented in OCI	
Deferred tax asset on net actuarial gains on pension liability	378,000
	(₱269,939,889)

The reconciliation of provision for income tax at the statutory tax rate to provision for income tax shown in the parent company statements of comprehensive income follows:

	2021	2020
Tax at statutory rate	**₱151,788,989**	₱593,319,985
Adjustments for:		
Income tax at 5% preferential rate	**(141,885,155)**	(283,413,371)
Nontaxable income	**(13,017,816)**	(1,752,758)
Additional deductible expense from dividends	**(273,995,568)**	–
Adjustment to current tax in 2020 recognized in 2021	**(13,483,850)**	–
Movements in deferred taxes	**140,170,421**	(185,604,025)
Interest income subjected to final tax	**(1,573,199)**	(5,658,337)
	(₱151,996,178)	₱116,891,494

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act which eyes to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reform to the corporate income tax and incentives systems which took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation, on April 11, 2021.

As a result of the CREATE law, the regular corporate income tax (RCIT) rate decreased from 30% to 25% effective July 1, 2020. As a result of the reduction in RCIT rate, the provision for current tax for the year ended December 31, 2020 decreased by ₱13.5 million and the creditable withholding tax as of December 31, 2020 increased by ₱13.5 million. For financial reporting purposes, these changes are recognized in the parent company financial statements as of and for the year ended December 31, 2021 in accordance with PIC Q&A 2020-07, Accounting for the Proposed Changes in Income Tax Rates under the CREATE Bill dated January 27, 2021.

Effective August 12, 2021, as a REIT entity, the Parent Company is entitled to the following: (a) not subject to 2% minimum corporate income tax (MCIT), (b) exemption from value-added tax (VAT) and documentary stamp tax (DST) on the transfer of property in exchange of its shares, (c) deductibility of dividend distribution from its taxable income, and (d) fifty percent (50%) of the standard DST rate of the transfer of real property into the Company, including the sale or transfer of any and all security interest there to, provided they have complied with the requirements under RA No. 9856 and Implementing Rules and Regulations (IRR) of RA No. 9856.

20. Leases

Company as lessee

The Parent Company has lease contracts for land as of January 1, 2019. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets. The Parent Company has entered into land lease arrangements with lease terms of between 25 and 40 years. There are several leases that include extension option to lease the assets for additional 25 years based on mutual agreement of the parties. The remaining lease term of the ROU assets range from 16 to 39 years.

The Parent Company's lease contract with Cebu Government pertaining to the BTO rights are presented under Intangible assets while the lease contracts with a third party and FLI are presented under Investment properties.

On July 1, 2020, the Parent Company and FLI amended their existing lease contract. The pertinent amendment provisions include the extension of the term of the lease to another 25 years and to set a minimum fixed rental rate. This resulted to an addition to ROU assets and lease liabilities amounting ₱2,149.3 million at contract amendment date (see Note 9).

On March 1, 2021, the Parent Company 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 (i.e., 10% or 15% of gross lease income depending on the floor to area ratio). In case of redevelopment, FLI and the Parent Company shall mutually agree on the minimum monthly rent during construction period (see Note 17).

On March 31, 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 above transactions resulted to derecognition of right of use assets and lease liabilities amounting to ₱1,979.0 million and ₱2,168.2 million, respectively, and recognition of gain on derecognition of lease liabilities amounting ₱189.2 million for the year ended December 31, 2021.

As of December 31, 2020, the Company derecognized a portion of lease liability and right of use asset with a carrying value of ₱267.5 million and ₱261.7 million, respectively, attributable to property dividends declared (see Note 9).

The rollforward analysis of right-of-use assets on land follows:

	2021		
	Investment Properties (Note 9)	**Intangible Assets** (Note 7)	**Total**
Cost			
At January 1	**₱1,946,930,753**	**₱112,423,917**	**₱2,059,354,670**
Derecognition	**(1,946,930,753)**	**(90,347,379)**	**(2,037,278,132)**
As at December 31	**–**	**22,076,538**	**22,076,538**
Accumulated Depreciation			
At January 1	**39,188,512**	**8,993,914**	**48,182,426**
Depreciation	**11,286,856**	**1,485,377**	**12,772,233**
Derecognition	**(50,475,368)**	**(7,830,106)**	**(58,305,474)**
As at December 31	**–**	**2,649,185**	**2,649,185**
Net Book Value	**₱–**	**₱19,427,353**	**₱19,427,353**

	2020		
	Investment Properties (Note 9)	Intangible Assets (Note 7)	Total
Cost			
At January 1	₱62,159,358	₱112,423,917	₱174,583,275
Additions	2,149,262,141	–	2,149,262,141
Derecognition	(264,490,746)	–	(264,490,746)
As at December 31	1,946,930,753	112,423,917	2,059,354,670
Accumulated Depreciation			
At January 1	3,551,963	4,496,957	8,048,920
Depreciation	39,033,505	4,496,957	43,530,462
Derecognition	(3,396,956)	–	(3,396,956)
As at December 31	39,188,512	8,993,914	48,182,426
Net Book Value	₱1,907,742,241	₱103,430,003	₱2,011,172,244

The following are the amounts recognized in the parent company statement of comprehensive income:

	2021	2020
Depreciation expense of right-of-use assets	**₱12,772,233**	₱43,530,462
Interest expense on lease liabilities	**20,275,856**	72,540,219
Rental expense (variable land lease payments)	**271,083,960**	297,968,918
	₱304,132,049	₱414,039,599

Interest expense which was capitalized during the year relating to lease liability amounted to ₱1.1 million and ₱14.6 million in 2021 and 2020, respectively. The capitalization rates used range from 4.7% to 5.19% in 2021 and 2020, respectively.

The rollforward analysis of lease liabilities follows:

	2021	2020
At January 1	**₱2,190,115,165**	₱283,428,528
Additions	**–**	2,149,262,141
Interest expense	**20,275,856**	72,540,219
Payments	**(14,397,140)**	(47,613,247)
Derecognition	**(2,168,155,699)**	(267,502,476)
At December 31	**27,838,182**	2,190,115,165
Less current portion	**1,848,085**	92,617,060
Lease liabilities - net of current portion	**₱25,990,097**	₱2,097,498,105

The Company also has certain lease of land with variable rental payments and lease of office space considered as "low-value assets". The Company applies the lease of 'low-value assets' recognition exemptions for these leases.

Total cash outflow related to principal payments of lease liabilities for the years ended December 31, 2021 and 2020 amounted to ₱15.6 million and ₱47.6 million, respectively.

Shown below is the maturity analysis of the undiscounted lease payments:

Maturity	2021	2020
1 year	**₱1,894,287**	₱92,617,061
more than 1 years to 2 years	**1,989,001**	97,457,093
more than 2 years to 3 years	**2,088,451**	102,553,769
more than 3 years to 4 years	**2,192,874**	107,920,946
more than 5 years	**63,198,521**	5,332,476,996

Company as lessor
As lessor, future minimum rental receivables under renewable operating leases follows:

	2021	2020
Within one year	**₱2,373,747,721**	₱2,831,168,803
After one year but not more than five years	**5,940,841,604**	8,429,851,003
After five years	**1,261,526,105**	5,568,619,525
	₱9,576,115,430	₱16,829,639,331

The Company entered into lease agreements with third parties and related parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial malls are renewable within one year, except for anchor tenants with lease ranging from 5 to 15 years (see Note 17).

Rental income recognized based on a percentage of the gross revenue of mall tenants included in "Rental revenue" account in the parent company statement of comprehensive income amounted to ₱10.9 million and ₱15.0 million in 2021 and 2020, respectively.

21. Other Income

This account consists of:

	2021	2020 (As restated, see Note 2)
Tenant dues (Notes 7 and 9)	**₱869,351,782**	₱999,318,508
Service fee income (Note 17)	**31,381,132**	8,990,356
Commission income (Note 17)	**–**	23,166,200
Miscellaneous	**21,989,755**	17,107,378
	₱922,722,669	₱1,048,582,442

Miscellaneous income pertains to penalties and charges from tenants.

22. Interest Income

This account consists of:

	2021	2020
Interest income on:		
Cash and cash equivalents (Notes 4 and 17)	**₱6,347,170**	₱3,908,966
Others (Note 5)	**3,639,226**	–
	₱9,986,396	₱3,908,966

Others consist mainly of interest and penalties on late rental payment of tenants.

23. Earnings Per Share

The Parent Company's earnings per share for the years ended December 31 are computed as follows:

	2021	2020
a. Net income	**₱1,855,134,403**	₱1,860,841,789
b. Weighted average number of outstanding common shares	**3,514,911,602**	2,326,853,336
Basic/Diluted EPS (a/b)	**₱0.53**	₱0.80

The Company assessed that there were no potential dilutive common shares in 2021 and 2020.

The weighted average outstanding common shares consider the effect of the stock split approved by the Parent Company's BOD and stockholder on March 5, 2021 (see Note 16). The EPS for the years ended December 31, 2020 was also adjusted to consider this stock split.

24. Segment Reporting

The Company has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Company meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments.*

The Company's leasing operations is its only income generating activity and such is the measure used by the chief operating decision maker (CODM) in allocating resources. The Company does not report its results based on geographical segments. The Company has no significant customer which contributes 10% of more to the revenues of the Company.

25. Fair Value Measurement

The following table sets forth the fair value hierarchy of the Company's financial assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	2021	
	Carrying value	**Fair Value Significant unobservable inputs (Level 3)**
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Bonds payable	**₱5,987,044,949**	**₱5,699,255,351**
Security and other deposits	**750,990,427**	**726,647,728**
Lease liabilities	**27,838,182**	**25,692,831**
	₱6,765,873,558	**₱6,451,595,910**

	2020	
	Carrying value	Fair Value Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed		
Financial liabilities at amortized cost		
Loans payable	₱2,344,166,667	₱2,243,880,721
Bonds payable	5,974,168,846	5,686,998,186
Security and other deposits	849,074,060	821,552,066
Lease liabilities	2,190,115,165	2,083,161,648
	₱11,357,524,738	₱10,835,592,621

Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables and current portion of accounts payable and accrued expenses approximate the fair market values.

The fair value of noncurrent deposits is estimated using the discounted cash flow methodology based on the discounted value of future cash flows using the applicable risk-free rates for similar types of asset. As of December 31, 2021 and 2020, the difference between the fair value and carrying value of deposits is not significant.

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

- *Security and other deposits*. The discount rates used ranges from 2.4% to 4.3% as of December 31, 2021 and 2020. Fair value is computed based on the expected future cash outflows.
- *Loans payable, lease liabilities and bonds payable*. Liabilities with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. The discount rates used range from 5.05% to 8.35% and 4.01% to 5.58% as of December 31, 2021 and December 31, 2020, respectively.

During the years ended December 31, 2021 and December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

26. Financial Risk Management Objectives and Policies

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

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

a. *Interest rate risk*
The Company's exposure to market risk for changes in interest rates relates primarily to the Company's loans payable.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax.

	Increase (decrease) in basis points	Effect on income before income tax/capitalized borrowing costs
December 31, 2021	**+100**	**₱–**
	-100	**–**
December 31, 2020	+100	(₱23.4 million)
	-100	23.4 million

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

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

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

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

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

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

In most cases, recoveries are higher than the amount of receivable at default. As of December 31, 2021 and December 31, 2020, most of the Company's trade receivables are covered by security deposits and advances rentals. As of December 31, 2021, and 2020, the Company's allowance for ECL on its trade receivables amounted to ₱7.7 million and ₱0.3 million, respectively (see Note 5).

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

The table below shows the Company's credit quality as of December 31, 2021 and 2020:

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

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

	2020				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Past Due and Impaired	Total
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 Company's high-grade receivables and deposits pertain to receivables and deposits from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to expected credit loss is not significant.

The analysis of trade receivables which are past due but not impaired follow:

	Past Due but not Impaired					
	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
December 31, 2021	**₱20,567,738**	**₱5,475,049**	**₱6,841,129**	**₱25,326,229**	**₱58,656,478**	**₱116,866,623**
December 31, 2020	55,829,258	11,488,079	12,931,946	6,343,156	57,895,122	144,487,561

Liquidity risk

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

The tables below summarize the maturity profile of the Company's financial assets held to manage liquidity:

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

	2020					
	On demand	Within 1 year	> 1 – 3 years	> 3 – 5 Years	Over 5 years	Total
Cash and cash equivalents	₱602,644,513	₱267,873,019	₱–	₱–	₱–	₱870,517,532
Receivables	795,250,212	35,179,500	–	–	–	830,429,712
Deposits	–	–	–	–	40,903,155	40,903,155
	₱1,397,894,725	₱303,052,519	₱0	₱–	₱40,903,155	₱1,741,850,399

Maturity profile of the Company's financial liabilities is shown below (in thousands):

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

**Includes future interest payable.*

	2020					
	On demand	Up to a year total	> 1 – 3 years	> 3 – 5 Years	Over 5 years	Total
Loans payable	₱–	₱744,167	₱400,000	₱1,200,000	₱–	₱2,344,167
Bonds payable	–	–	–	6,000,000	–	6,000,000
Lease liabilities	–	92,617	232,749	401,374	1,463,375	2,190,115
Interest on loans*	15,921	112,204	185,397	56,876	–	370,398
Accounts payable and accrued expenses	1,583,712	–	–	–	–	1,583,712
Security and other deposits	–	116,415	259,242	473,417	–	849,074
	₱1,599,633	₱1,065,403	₱1,077,388	₱8,131,667	₱1,463,375	₱13,337,466

**Includes future interest payable.*

27. Notes to Statements of Cash Flows

Investing Activities

The Company's noncash investing activities are as follows:

- The Company recognized right-of-use assets presented under investment properties and lease liabilities amounting to ₱2,149.3 million in 2020 (nil in 2021; see Notes 8 and 20).
- Outstanding liabilities pertaining to investment properties purchased on account are recorded in the parent company statements of financial position under "Accounts payable and accrued expenses" account, amounting to nil and ₱2.6 million as of December 31, 2021 and 2020, respectively (see Note 11).
- Outstanding liabilities pertaining to intangible assets acquired on account are recorded in the parent company statements of financial position under "Accounts payable and accrued expenses" account amounting to ₱83.5 million as of December 31, 2020 (nil as of December 31, 2021).
- Outstanding liabilities pertaining to unpaid additions to noncurrent asset held for distribution are recorded in the parent company statements of financial position under "Accounts payable and accrued expenses" account, amounting to ₱22.2 million as of December 31, 2020 (nil as of December 31, 2021; see Note 6).
- The Company derecognized right of use of assets under "Investment properties" as a result of the amendment of lease contract with FLI. The net book value of this right of use assets amounted to ₱1,842.0 million as of December 31, 2021 (nil as of December 31, 2020; see Notes 9 and 20).
- The Company derecognized Prepaid DCS connection charge under "Other noncurrent assets" as a result of the derecognition of related assets of property dividends amounting to ₱132.4 million as of December 31, 2021 (nil as of December 31, 2020; see Note 11). This was offset against "Due to related parties" under accounts payable and accrued expenses.

Financing Activities

Changes in liabilities arising from financing activities for the year ended December 31, 2021 and 2020 follows (in thousands):

	January 1, 2021	**Availment/ Addition**	**Payments**	**Noncash Movement**	**December 31, 2021**
Loans payable	**₱2,344,167**	**₱–**	**₱–**	**(₱2,344,167)**	**₱–**
Bonds payable	**5,974,169**	**–**	**–**	**12,876**	**5,987,045**
Lease liabilities	**2,190,115**	**–**	**(15,564)**	**(2,146,713)**	**27,838**
Accrued interest	**113,037**	**–**	**(315,074)**	**304,258**	**102,221**
Dividends payable	**6,611,907**	**2,786,409**	**(1,095,982)**	**(8,302,334)**	**–**
Deposit for future stock subscription	**1,889,583**	**–**	**–**	**(1,889,583)**	**–**
	₱19,122,978	**₱2,786,409**	**(₱1,426,620)**	**(₱14,365,663)**	**₱6,117,104**

	January 1, 2020	Availment/ Addition	Payments	Noncash Movement	December 31, 2020
Loans payable	₱4,218,371	₱1,000,000	(₱1,355,455)	(1,518,749)	₱2,344,167
Bonds payable	5,961,553	–	–	12,616	5,974,169
Lease liabilities	283,428	–	(47,613)	1,954,300	2,190,115
Accrued interest	109,323	–	(471,908)	475,622	113,037
Dividends payable	348,340	–	(348,340)	6,611,907	6,611,907
Deposit for future stock subscription	–	–	–	1,889,583	1,889,583
	₱10,921,015	₱1,000,000	(₱2,223,316)	₱9,425,279	₱19,122,978

Noncash movement includes amortization of debt issuance costs and interest expense for loans payable, bonds payable, and lease liabilities.

For the year ended December 31, 2021, the noncash movement also include derecognition of lease liabilities, distribution of property dividends payable, and assignment of loans payable to FLI amounting ₱2,167.8 million and ₱8,302.3 million and ₱2,344.2 million, respectively (see Notes 13, 16 and 20).

28. Other Matters

COVID-19 Pandemic

The Company continues to abide by and comply with all rules and regulations issued by the government in relation to the COVID-19 pandemic. In line with applicable rules and regulations, the said risks are mitigated by business continuity strategies set in place by the Company. Measures currently undertaken by the Company to mitigate the risks of COVID-19 pandemic on its operations include work-from-home arrangements depending on the quarantine protocols in place, proper and frequent sanitation of office premises, cancellation of large group meetings in person, an internal ban on foreign business travel, and the practice of social distancing through remote communication, among others.

The general global slowdown and the imposition of community quarantine measures due to the COVID-19 pandemic had short- to medium-term effects on new Office Leasing activities. Prior to the pandemic, inquiries from potential tenants were about leasing entire floors of buildings but the demand was reduced to much smaller size cuts in 2020. Physical site inspections as required by all prospective tenants were halted due to the community quarantine restrictions. Contract signing and handover dates of new incoming tenants were adjusted to 2021. Construction rent free periods were given to accommodate fit out delays and social distancing guidelines on construction resulting from six to eight months delay in construction deliveries and construction manpower reduction by 50%. Non-renewal and pre-termination of contracts were also experienced in 2021 but this was counterweighed by the renewal of all lease expiries during the year at current market rates.

Typhoon Odette

Typhoon Odette did not hamper the operations of Filinvest Cyberzone Cebu Tower 1 when it made landfall on December 16, 2021. The building remained operational on a 24/7 basis despite the power interruption in the area, utilizing backup generators until power was fully restored on January 6, 2022. Damage to property was not material and eligible to receive insurance claims.