FINANCIAL INFORMATION

The following pages set forth AREIT's :

- Audited financial statements as at December 31, 2020, 2019, 2018 and 2017.
- Reviewed Interim condensed financial statements for the period ended June 30, 2021 and 2020
- Pro Forma Condensed Financial Information as at June 30, 2021 and for the Six-Months Ended June 30, 2021 and the Year Ended December 31, 2020

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of AREIT, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2020, 2019 and 2018, 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 the 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 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.

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

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

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

JOSE EMMANUEL H. JALANDONI
Chairman, Board of Directors

CAROL T. MILLS
President & Chief Executive Officer

ELAINE F. ALZONA
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 24 2021 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Jose Emmanuel H. Jalandoni	P1697725A	21 January 2017 / DFA NCR South
Carol T. Mills	P9958069A	17 December 2018 / DFA NCR South
Elaine F. Alzona	P6005978B	22 December 2020 / DFA NCR East

Doc. No. 8 ;
Page No. 2 ;
Book No. XXXIV ;
Series of 2021.

Notarial DST pursuant to Sec.188 of the Tax Code affixed on Notary Public's copy

ROBERTO T. ONGSIAKO NOTARY PUBLIC ROLL NO. 37041 MAKATI CITY, PHILIPPINES

ROBERTO T. ONGSIAKO
Notary Public – Makati City
Appt. No. M-155 until December 31, 2020
Extended until June 30, 2021
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 – RSM Chapter
PTR No. 8531975ME - 01/04/2021 - Makati City
MCLE Compliance No. VII – 0000287 – 07/30/2019
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	6	1	3	8	7	0

C O M P A N Y   N A M E

A R E I T ,   I N C .

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

2 8 t h   F l o o r ,   T o w e r   O n e   a n d
E x c h a n g e   P l a z a ,   A y a l a   T r i a n g l e
A y a l a   A v e n u e ,   M a k a t i   C i t y a l a

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	S E C	N / A

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

Company's Email Address	Company's Telephone Number	Mobile Number
corporateservices@aglegal.com.ph	**(02) 7908-3804**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
13	**6/23**	**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
Elaine Marie F. Alzona	**alzona.elaine@ayalaland.com.ph**		**N/A**

CONTACT PERSON's ADDRESS

28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

NOTE1 : *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.*

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Opinion

We have audited the financial statements of AREIT, Inc. (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 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 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 financial statements.

Fair Value Disclosure of Investment Properties

The Company operates four mixed-use office buildings located in Luzon and Visayas. The Company accounts its investment properties using cost model and discloses the fair value as required under Philippine Accounting Standard 40, *Investment Property*. The carrying value and total fair value of the Company's investment properties amounted ₱8,303.80 million and ₱30,928.39 million, respectively, as of December 31, 2020. 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 Company's investment properties as a key audit matter because it involves significant management and external valuer 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 Company's disclosures on the fair value of investment properties are included in Note 7 to the 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 valuations of investment properties as of December 31, 2020. These assumptions include discount rates, growth rates and free cash flows.

We evaluated the competence, capabilities and independence of the external valuer by considering their qualifications, experience and reporting responsibilities. We also assessed the adequacy of disclosure of valuation of investment properties in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 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 financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the 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 Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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 in 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 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.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of AREIT, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534336, January 4, 2021, Makati City

February 24, 2021

AREIT, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash (Notes 4 and 20)	**₱58,977,547**	₱122,180,606
Receivables (Notes 5, 19 and 20)	**2,384,189,473**	1,994,499,843
Other current assets (Notes 6 and 20)	**281,312,797**	157,602,667
Total Current Assets	**2,724,479,817**	2,274,283,116
Noncurrent Assets		
Noncurrent portion of receivables (Notes 5 and 20)	**2,600,726,540**	2,556,978,813
Investment properties (Note 7)	**8,303,802,471**	6,192,374,393
Property and equipment (Note 8)	**12,053**	20,089
Other noncurrent assets (Note 6)	**1,001,662,147**	968,057,313
Total Noncurrent Assets	**11,906,203,211**	9,717,430,608
	₱14,630,683,028	₱11,991,713,724
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 9 and 20)	**₱513,927,478**	₱274,477,842
Current portion of deposits and other liabilities (Notes 11 and 20)	**129,399,846**	166,793,502
Income tax payable	**54,444,350**	71,241,649
Current portion of lease liability (Note 17)	**34,300,129**	–
Construction bonds (Notes 10 and 20)	**–**	11,105,498
Total Current Liabilities	**732,071,803**	523,618,491
Noncurrent Liabilities		
Deposits and other liabilities - net of current portion (Notes 11 and 20)	**722,693,405**	600,134,138
Lease liability- net of current portion (Note 17)	**837,543,814**	–
Deferred tax liabilities - net (Note 18)	**–**	67,232,321
Total Noncurrent Liabilities	**1,560,237,219**	667,366,459
Total Liabilities	**2,292,309,022**	1,190,984,950
Equity (Note 12)		
Paid-up capital	**10,929,864,050**	10,451,224,050
Treasury shares	**(673,299,700)**	(673,299,700)
Additional paid-in capital	**785,681,404**	–
Retained earnings	**1,296,128,252**	1,022,804,424
Total Equity	**12,338,374,006**	10,800,728,774
	₱14,630,683,028	₱11,991,713,724

See accompanying Notes to Financial Statements.

AREIT, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Rental income (Notes 7, 13 and 17)	**₱1,495,723,891**	₱1,323,922,868	₱696,017,710
Dues (Notes 7 and 14)	**305,087,397**	192,320,957	169,314,125
Interest income from finance lease receivables (Notes 14 and 17)	**150,814,117**	46,837,607	–
	1,951,625,405	1,563,081,432	865,331,835
COSTS AND EXPENSES			
Direct operating expenses (Notes 7 and 16)	**585,302,407**	436,017,048	181,014,314
General and administrative expenses (Note 16)	**49,474,313**	14,181,546	4,174,082
	634,776,720	450,198,594	185,188,396
OTHER INCOME (CHARGES) - Net			
Gain under finance lease (Notes 15 and 17)	**–**	397,139,330	–
Interest income (Notes 4, 15 and 19)	**78,670,585**	58,261,841	17,172,535
Interest expense (Notes 11 and 16)	**(65,419,124)**	(12,562,538)	(16,810,309)
Other income (Note 15)	**3,660,620**	137,200	357,743
	16,912,081	442,975,833	719,969
INCOME BEFORE INCOME TAX	**1,333,760,766**	1,555,858,671	680,863,408
PROVISION FOR INCOME TAX (Note 18)	**106,576,453**	294,448,184	143,772,034
NET INCOME	**1,227,184,313**	1,261,410,487	537,091,374
OTHER COMPREHENSIVE INCOME	**–**	–	–
TOTAL COMPREHENSIVE INCOME	**₱1,227,184,313**	₱1,261,410,487	₱537,091,374
Basic/Diluted Earnings Per Share (Note 21)	**₱1.23**	₱1.29	₱3.16

See accompanying Notes to Financial Statements.

AREIT, INC.
STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31		
	2020	2019	2018
PAID-UP CAPITAL (Note 12)			
Common Shares - ₱10 par value			
Balance at beginning and end of year	**₱10,451,224,050**	₱10,451,224,050	₱12,924,300
Conversion of preferred shares	**–**	–	1,623,299,700
Issuance of new shares	**478,640,000**	–	8,815,000,050
Balance at end of year	**10,929,864,050**	10,451,224,050	10,451,224,050
Preferred Shares - ₱1 par value			
Balance at beginning of year	**–**	–	1,623,299,700
Conversion to common shares	**–**	–	(1,623,299,700)
Balance at end of year	**–**	–	–
	10,929,864,050	10,451,224,050	10,451,224,050
ADDITIONAL PAID-IN CAPITAL (Note 12)			
Issuance of new shares	**785,681,404**	–	–
Balance at end of year	**785,681,404**	–	–
TREASURY SHARES (Note 12)			
Balance at beginning of year	**(673,299,700)**	(673,299,700)	(653,299,700)
Redemption of shares	**–**	–	(20,000,000)
Balance at end of year	**(673,299,700)**	(673,299,700)	(673,299,700)
RETAINED EARNINGS (Note 12)			
Balance at beginning of year	**1,022,804,424**	722,691,606	677,952,254
Total comprehensive income/Net income	**1,227,184,313**	1,261,410,487	537,091,374
Share issuance costs	**–**	–	(108,352,022)
Cash dividends	**(953,860,485)**	(961,297,669)	(384,000,000)
Balance at end of year	**1,296,128,252**	1,022,804,424	722,691,606
	₱12,338,374,006	₱10,800,728,774	₱10,500,615,956

See accompanying Notes to Financial Statements.

AREIT, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,333,760,766**	₱1,555,858,671	₱680,863,408
Adjustments for:			
Depreciation and amortization (Notes 7, 8 and 16)	**225,537,616**	190,607,039	76,009,715
Interest expense (Notes 11 and 16)	**65,419,124**	12,562,538	16,810,309
Gain under finance lease (Note 15 and 17)	**–**	(397,139,330)	–
Interest income from finance lease receivables (Notes 15 and 17)	**(150,814,117)**	–	–
Interest income (Notes 4, 15 and 19)	**(78,670,585)**	(105,099,448)	(17,172,535)
Operating income before working capital changes	**1,395,232,804**	1,256,789,470	756,510,897
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**60,676,759**	(262,130,803)	(179,870,857)
Other assets	**(157,314,964)**	(5,345,676)	(854,489,082)
Increase (decrease) in:			
Accounts and other payables	**280,552,617**	(79,193,659)	205,735,959
Deposits and other liabilities	**71,237,359**	81,861,675	(9,990,617)
Construction bonds	**(11,105,498)**	8,367,056	(61,309)
Cash generated from (used in) operations	**1,639,279,077**	1,000,348,063	(82,165,009)
Interest received	**78,670,585**	58,261,841	17,172,535
Income tax paid	**(190,606,074)**	(189,868,211)	(108,026,492)
Net cash flows provided by (used in) operating activities	**1,527,343,588**	868,741,693	(173,018,966)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in due from related parties (Notes 19 and 23)	**(343,300,000)**	199,000,000	(1,097,810,451)
Payments for additions to investment properties (Note 7)	**(1,483,807,649)**	(10,392,521)	(7,022,857,532)
Net cash flows provided by (used in) investing activities	**(1,827,107,649)**	188,607,479	(8,120,667,983)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of dividends (Note 12)	**(953,860,485)**	(961,297,669)	(384,000,000)
Payments of principal portion of lease liability (Note 17)	**(32,796,936)**	–	–
Net proceeds from issuance of shares (Notes 12 and 16)	**1,223,218,423**	–	8,706,648,028
Redemption of shares (Note 12)	**–**	–	(20,000,000)
Net cash flows provided by (used in) financing activities	**236,561,002**	(961,297,669)	8,302,648,028
NET INCREASE (DECREASE) IN CASH	**(63,203,059)**	96,051,503	8,961,079
CASH AT BEGINNING OF YEAR	**122,180,606**	26,129,103	17,168,024
CASH AT END OF YEAR (Note 4)	**₱58,977,547**	₱122,180,606	₱26,129,103

See accompanying Notes to Financial Statements.

1. Corporate Information

AREIT, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2006 with a corporate life of 50 years. The Company was organized primarily to engage in the business which 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, whether freehold or leasehold, within or outside the Philippines with or to such persons and entities and under such terms and conditions as may be permitted by law; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real estate and managed funds; (3) to receive, collect and dispose of the rent, interest, dividends and income rising from its property and investments; and (4) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient or incidental to or implied from the purposes herein mentioned.

The Company is publicly-listed company, 45.04%-owned by Ayala Land Inc. (ALI), 9.39%-owned by AyalaLand Offices, Inc. (ALOI), a wholly owned subsidiary of ALI and the rest by the public. ALI’s parent is Ayala Corporation (AC). AC is 47.33%-owned by Mermac, Inc. and the rest by the public. Both ALI and AC are publicly listed companies domiciled and incorporated in the Philippines.

The Company’s registered office address and principal place of business is 28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Company’s common stock was listed in The Philippine Stock Exchange on August 13, 2020 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.

The operational and administrative functions of the Company are handled by ALI prior to its listing. Beginning August 13, 2020, AREIT Fund Managers, Inc., and AREIT Property Managers, Inc., handled the fund manager functions and property management functions of the Company (see Note 19).

The accompanying financial statements were approved and authorized for issue by the BOD on February 24, 2021.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), which is also the Company’s functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The accompanying financial statements have been prepared under the going concern assumption. The Company believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

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

  The amendments provides 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 amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

  This amendment is not applicable to the Company as there no rent concessions granted to the Company as a lessee.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs.

  These amendments apply to the recent acquisition of building of the Company. See Notes 3 and 7 for the related disclosures.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no significant impact on the financial statements of the Company.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the content of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

<u>Standards and Interpretations Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

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

Current and Noncurrent Classification
The Company presents assets and liabilities in the statements of financial position based on a current and noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are noncurrent.

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

Cash
Cash includes cash on hand and in banks. Cash in banks are stated at face amounts and earn interest at the prevailing bank deposit rates.

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

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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 business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at its transaction price.

In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that passes the 'solely payments of principal and interest' on the principal amount outstanding (SPPI criterion). 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 refer 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 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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) (FVOCI with recycling)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI with no recycling)
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Company's financial assets at amortized cost include cash in banks and receivables.

The Company has no financial assets under FVOCI with or without recycling and FVTPL categories.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include accounts and other payables, security deposits and construction bonds.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss. This category generally applies to accounts and other payables, deposits and other liabilities.

Derecognition of Financial Instruments

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

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets
The Company recognizes an allowance for expected credit loss (ECL) 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 EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash in banks, 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, were 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 a reputable credit rating agency to determine whether the debt instrument has significantly increased credit risk and to estimate ECL.

For trade receivables and finance lease receivable, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix 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.

The Company considers a financial asset in default when contractual payments are 90 days past due since security deposits are equivalent to 90 days which are paid at the start of the lease term which will cover any defaults. 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.

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

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 the Company.

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

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

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

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

Level 1: - quoted (unadjusted) 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
Level 3: - valuation techniques for which the lowest level input that it is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the 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 reporting period.

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

Deposits and Other Liabilities
Deposits and other liabilities which includes security deposits that are initially measured at fair value. After initial recognition, security deposits are subsequently measured at amortized cost using effective interest method.

The difference between the cash received and its fair value is deferred (included in the "Deferred credits" under "Deposits and Other Liabilities" account in the statement of financial position) and amortized using the straight-line method and recognized as "Amortization of deferred credits" under the "Rental income" account in profit or loss. Accretion of discount is recorded under "Interest expense" account in profit or loss.

Other Assets
Other assets include input value-added tax (VAT), creditable withholding taxes, recoverable deposits and advances to contractors.

Input VAT
Input VAT represents taxes due or paid on purchases of goods and services subjected to VAT that the Company can claim against future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services which are incurred and billings which has been received as of date. The input VAT can also be recovered as tax credit against future income tax liability of the Company or refunded subject to the approval of the BIR. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

Deferred input VAT
Deferred input VAT represents input VAT on purchase of capital goods exceeding ₱1 million. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter.

Recoverable deposits
Recoverable deposits pertain to various utility deposits. These are measured initially at fair value. After initial recognition, deposits are subsequently measured at amortized cost using the effective interest method.

Advances to contractors
Advances to contractors are carried at cost less impairment losses, if any.

Prepaid expenses represent paid expenses that are not yet incurred. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Creditable withholding taxes
Creditable withholding taxes represent the amount withheld by the payee. These are recognized upon collection of the related income and utilized as tax credits against income tax due.

Investment Properties
Investment properties comprise of construction-in-progress and completed properties that are held to earn rentals or capital appreciation or both and are not occupied by the Company. 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.

These are carried at cost less accumulated depreciation and amortization and any impairment.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Depreciation of investment properties, which consist of buildings, are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful life of the buildings is 40 years.

Investment properties are derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in PFRS 15, *Revenue from Contracts with Customers*.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

<u>Impairment of Nonfinancial Assets</u>
The Company assesses at each reporting date whether there is an indication that an asset 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 (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining estimated useful life.

<u>Equity</u>
Paid-up capital and Additional paid-in capital (APIC)
Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Amount of contribution in excess of par value is accounted for as APIC.

Stock issuance costs
Stock issuance costs are incremental costs directly attributable to the issuance or subscription of new shares which are shown in equity as a deduction, net of tax, from the proceeds. Costs that relate to the new stock market listing, or otherwise are not incremental costs directly attributable to issuing new shares, should be recorded as an expense.

Treasury shares
Treasury shares are the Company's own equity instruments which were reacquired. These are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock is reduced by its par value and the excess of cost over par value upon retirement is charged to APIC when the shares were issued and to retained earnings for the remaining balance.

Retained earnings
Retained earnings represent the cumulative balance of net income of the Company, net of dividend distribution, if any.

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 services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

Dues
Dues are recognized when the related services are rendered. Common area, air conditioning, electricity and water dues in excess of actual charges and consumption are recorded as revenue. Billing 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.

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

Disaggregated revenue information
The non-lease component of the Company's revenue arises from common area charges and utilities dues. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted utility services such as water and electricity (see Note 14).

Allocation of transaction price to performance obligation
Each of the non-lease component is considered a single performance obligation, therefore it is not necessary to allocate the transaction price. These services are capable of being distinct from the other services and the transaction price for each service is separately identified in the contract.

Timing of revenue recognition
Revenue from common area charges and utilities dues are recognized over time since the tenants simultaneously receives and consumes the services provided by the Company. The Company determined that the output method best represents the recognition pattern for revenue from utilities dues since this is recognized based on the actual consumption of the tenants.

Deferral of Philippine Interpretations Committee Question and Answers (PIC Q&As) on accounting for Common Usage Service Area (CUSA)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. This includes accounting for CUSA charges discussed in PIC Q&A No. 2018-12-H which concludes 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 for a period of three years. The deferral will only be applicable for real estate transactions.

The Company is currently presenting its common area, air conditioning, electricity and water dues on a net basis. Had the Company opted to not avail of the relief from the deferral and will comply in full requirement of PIC Q&A 2018-12, the Company will be presenting the revenue from common area charges at gross amounts (see Note 14).

Effective January 1, 2021, the Company will adopt PIC Q&A No. 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

Income outside the scope of PFRS 15

Rental income
Rental income under noncancellable and cancellable leases on investment properties is accounted under operating lease and is recognized on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contracts.

No rental income is recognized when the Company waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment (see Note 17).

Interest income from finance lease receivables
Interest income is recognized as it accrues using the EIR method which pertains to the receivable arising from finance lease agreement.

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

Costs and Expenses
Costs and expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized:
- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Leases
The Company as lessor - operating lease
Leases where the Company does not transfer substantially all the risks and benefits of the ownership of the assets are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The Company as lessor - finance lease
A lease is classified as a finance lease if the Company transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company shall recognize assets held under a finance lease in its statement of financial position and present

them as a receivable at an amount equal to the net investment in the lease. The Company shall use the interest rate implicit in the lease to measure the net investment in the lease. Finance income is recognized over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease.

Right-of-use asset
The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable linked to the future performance or use of an underlying asset. Right-of-use asset 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 asset includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. 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 asset are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use asset are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

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 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.

Income Tax
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 have been enacted or substantively enacted as at the reporting date.

Deferred tax
Deferred income tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

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 income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting
The Company's lease operation is its only segment. Financial information on business segment is presented in Note 22 to the financial statements.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events After the End of the Reporting Period
Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Summary of Significant Accounting Estimates, Judgments and Assumptions

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

Judgment
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 financial statements.

Operating lease commitments - Company as lessor
The Company has entered into commercial property leases on its investment property portfolios. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated useful life of the assets.

Finance lease commitments - Company as lessor
The Company has entered into a lease agreement on the portion (composed of 18 floors stacked on top of the headquarters tower) of ANE building. The Company has determined, based on evaluation of the terms and arrangement, particularly on the economic life, that the Company has transferred substantially all the significant risks and rewards of ownership of this property to the lessee and accounts for the agreement as finance lease.

Evaluation whether the acquired set of assets constitute a business
The Company and ALO Prime Realty Corp. (APRC) executed a deed of absolute sale wherein APRC sells, conveys, transfers, assigns and delivers to the Company a 12- storey building, inclusive of two (2) basement parking levels and located at Inez Villa St. Cebu I.T Park, Brgy. Apas Cebu City, for a consideration amounting to ₱1,450.00 million. The Company elected to apply the optional concentration test to determine whether the acquired building constitute a business. The Company has determined that the acquisition is a purchase of asset as the acquisition passed the concentration test due to: (a) the building is considered a single identifiable asset (b) substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset.

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

Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease agreement for Mckinley Exchange Corporate Center (MECC), therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The

Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Company's lease liabilities amounted to ₱871.84 million as of December 31, 2020 (see Note 17; nil as of December 31, 2019).

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 pattern.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with the impact of current COVID environment and other forward-looking information, as applicable. For instance, if forecast economic conditions (i.e., gross domestic product and inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances including COVID impact and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The carrying value of the Company's trade receivables amounted to ₱498.89 million and ₱479.28 million as of December 31, 2020 and 2019, respectively, net of allowance for credit losses amounting to ₱14.92 million and ₱7.66 million as of December 31, 2020 and 2019, respectively (see Note 5).

Evaluating impairment of nonfinancial assets
The Company regularly reviews its nonfinancial asset for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' 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 including the impact of COVID. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Company estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect its nonfinancial assets.

The Company's nonfinancial assets are not impaired as of December 31, 2020 and 2019. The carrying values of the Company's nonfinancial assets follow:

	2020	2019
Investment properties (Note 7)	**₱8,303,802,471**	₱6,192,374,393
Input VAT (Note 6)	**544,655,980**	436,890,469
Deferred input VAT (Note 6)	**614,857,354**	622,744,439
Creditable withholding taxes (Note 6)	**112,971,793**	66,025,072
	₱9,576,287,598	₱7,318,034,373

Estimating Realizability of Deferred Tax Assets
Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profit together with future tax planning strategies. However, there is no

assurance that the Company will generate sufficient future taxable profit to allow all or part of its deferred tax assets to be utilized.

As of December 31, 2020 and 2019, deferred tax assets recognized by the Company amounted to ₱31.08 million and ₱72.09 million, respectively (see Note 18).

As of December 31, 2020, the Company did not recognize deferred tax asset on temporary difference of NOLCO amounting to ₱43.49 million as the management believes that it may not be probable that sufficient taxable income will be available against which this can be applied (see Note 18).

Estimating useful lives of investment properties
The Company estimates the useful life of its investment properties based on the period over which the asset is expected to be available for use. The estimated useful life of investment properties is reviewed at least annually and is updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of the asset. It is possible that future financial performance could be materially affected by changes in estimates brought about by changes in the factors mentioned above. See Note 7 for the related balances.

Fair value determination of investment properties
The Company discloses the fair value of its investment properties which are carried at cost. The Company determines the fair value of the Company's investment properties using the Income Approach which is a method where the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. See Note 7 for the related disclosures.

4. Cash

This account consists of:

	2020	2019
Cash on hand	**₱22,500**	₱22,500
Cash in banks	**58,955,047**	122,158,106
	₱58,977,547	₱122,180,606

Cash in banks earn interest at the respective bank deposit rates which ranges from 0.35% to 0.45% in 2020 and 2019. Interest income earned from cash in banks amounted to ₱0.36 million, ₱0.31 million and ₱0.95 million in 2020, 2019 and 2018, respectively (see Note 15).

5. Receivables

This account consists of:

	2020	2019
Finance lease receivable (Notes 17 and 19)	**₱2,242,581,055**	₱2,267,931,937
Due from related parties (Note 19)	**2,242,543,812**	1,803,889,622
Trade receivables		
Accrued rent	**416,501,236**	369,059,057
Billed	**97,316,019**	117,888,650
Other receivables	**897,650**	374,307
	4,999,839,772	4,559,143,573
Less allowance for credit losses	**14,923,759**	7,664,917
	4,984,916,013	4,551,478,656
Less noncurrent portion	**2,600,726,540**	2,556,978,813
	₱2,384,189,473	₱1,994,499,843

Accrued rent pertains to receivables resulting from the straight-line method of recognizing rental income.

Billed receivables arise mainly from tenants for rentals of office and retail spaces and recovery charges for common area and utilities. These are noninterest-bearing and are generally collectible on 30-day term.

Other receivables pertain to noninterest-bearing advances to employees which are subject to liquidation upon completion of the business transaction.

The movements in allowance for credit losses follows:

	2020	2019
Balance at beginning of year	**₱7,664,917**	₱7,664,917
Provision (Note 16 and 20)	**7,258,842**	–
Balance at end of year	**₱14,923,759**	₱7,664,917

Noncurrent portion of receivables
This account consists of:

	2020	2019
Finance lease receivable (Notes 17 and 19)	**₱2,194,794,056**	₱2,215,249,105
Trade receivables	**405,932,484**	341,729,708
	₱2,600,726,540	₱2,556,978,813

6. **Other Assets**

Other Current Assets
This account consists of:

	2020	2019
Input VAT	**₱158,306,544**	₱91,577,595
Creditable withholding taxes	**112,971,793**	66,025,072
Recoverable deposits	**10,034,460**	–
	₱281,312,797	₱157,602,667

Input VAT is applied against output VAT within 12 months. This includes input VAT claimed for refund amounting to ₱6.39 million which is awaiting approval from the BIR.

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related lease receivable and are utilized as tax credits against income tax due.

Recoverable deposits pertain to various utility deposits.

Other Noncurrent Assets
This account consists of:

	2020	2019
Deferred input VAT	**₱614,857,354**	₱622,744,439
Input VAT	**386,349,436**	345,312,874
Advances to contractors	**455,357**	–
	₱1,001,662,147	₱968,057,313

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding ₱1.00 million per transaction which is available for offset against the Company's future output VAT.

The remaining balance of input VAT and deferred input VAT are recoverable in future periods.

Advances to contractors are recouped upon every progress billing payment depending on the percentage of accomplishment or delivery.

7. Investment Properties

	2020			
	Building and Improvements	**Construction-in-Progress**	**Right-of-use asset**	**Total**
Cost				
At January 1	**₱7,047,820,671**	**₱1,979,866**	**₱–**	**₱7,049,800,537**
Additions	**1,483,807,649**	**–**	**853,150,009**	**2,336,957,658**
At December 31	**8,531,628,320**	**1,979,866**	**853,150,009**	**9,386,758,195**
Accumulated Depreciation				
At January 1	**857,426,144**	**–**	**–**	**857,426,144**
Depreciation and amortization (Note 16)	**203,146,629**	**–**	**22,382,951**	**225,529,580**
At December 31	**1,060,572,773**	**–**	**22,382,951**	**1,082,955,724**
Net Book Value	**₱7,471,055,547**	**₱1,979,866**	**₱830,767,058**	**₱8,303,802,471**

	2019		
	Building and Improvements	Construction-in-Progress	Total
Cost			
At January 1	₱6,134,749,678	₱2,720,149,866	₱8,854,899,544
Transfer	2,718,170,000	(2,718,170,000)	–
Disposals (Note 17)	(1,823,955,000)	–	(1,823,955,000)
Additions	18,855,993	–	18,855,993
At December 31	7,047,820,671	1,979,866	7,049,800,537
Accumulated Depreciation			
At January 1	666,850,509	–	666,850,509
Depreciation and amortization (Note 16)	190,575,635	–	190,575,635
At December 31	857,426,144	–	857,426,144
Net Book Value	₱6,190,394,527	₱1,979,866	₱6,192,374,393

On September 15, 2020, the Company and APRC executed a deed of absolute sale wherein APRC sells, conveys, transfers, assigns and delivers to the Company a 12- storey building, inclusive of two (2) basement parking levels and located at Inez Villa St. Cebu I.T Park, Brgy. Apas Cebu City, for a consideration amounting to ₱1,450.00 million.

As of December 31, 2020, the investment properties are composed of two (2) stand-alone buildings and two (2) mixed-used properties, which are being leased out for office, retail and serviced apartment. The stand-alone buildings are Solaris One building, located along Dela Rosa St. Legaspi Village, Makati City and Teleperformance Cebu building, located at Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Brgy. Apas, Cebu City. The mixed-used properties composed of business process outsourcing and headquarters tower, retail spaces and serviced apartment are ANE property, which is located along Ayala Avenue cor. Salcedo St., Legaspi Village, Makati City and McKinley Exchange, which is under lease and located along McKinley Road corner EDSA, Makati City.

Construction-in-progress pertains to ongoing construction, installation and related activities on certain investment property or other items necessary to prepare it for use. These are transferred to the related investment property account once construction is completed and is ready for service.

Additions include initial direct costs which comprise broker's commission paid to various brokers amounting to nil and ₱8.46 million in 2020 and 2019, respectively. These are amortized over the lease term on the same basis as the lease income.

The fair value of the investment properties was determined by independent and professionally qualified appraiser on June 17, 2020. The key assumptions and inputs to the valuation (e.g., discount rate and cash flow) as of July 31, 2020 did not materially change as of December 31, 2020 for Solaris One building, ANE property and McKinley Exchange. Fair value of Teleperformance Cebu building was updated from the June 17, 2020 appraisal report to reflect changes in the assumptions as of December 31, 2020. The fair value of investment properties, excluding the portion of ANE building under finance lease, amounted to ₱30,928.39 million.

The fair value of the Company's investment properties was determined using the Income Approach which is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value.

The following table provides the fair value hierarchy of the Company's investment properties as of December 31, 2020:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	June 17, 2020	₱30,928,394,776	₱–	₱–	₱30,928,394,776

Description of valuation techniques used and key inputs to valuation of investment properties:

	Valuation technique	Significant unobservable inputs
Solaris	Income approach	The fair value is sensitive to the following unobservable inputs – lease income growth rate and discount rate
ANE	Income approach	The fair value is sensitive to the following unobservable inputs – lease income growth rate and discount rate
TP Cebu	Income approach	The fair value is sensitive to the following unobservable inputs – lease income growth rate and discount rate
MECC	Income approach	The fair value is sensitive to the following unobservable inputs – lease income growth rate and discount rate

Rental income and dues earned from investment properties and direct operating expenses incurred are as follows:

	2020	2019	2018
Rental income (Note 13)	**₱1,495,723,891**	₱1,309,219,345	₱696,017,710
Dues (Note 14)	**305,087,397**	192,320,957	169,314,125
Direct operating expenses (Note 16)	**585,302,407**	436,017,048	181,014,314

8. Property and Equipment

This account pertains to electronic data processing equipment. The rollforward analyses follow:

	2020	2019
Cost		
Balance at beginning and end of year	**₱1,888,872**	₱ 1,888,872
Accumulated Depreciation		
Balance at beginning of year	**1,868,783**	1,837,379
Depreciation (Note 16)	**8,036**	31,404
Balance at end of year	**1,876,819**	1,868,783
Net Book Value	**₱12,053**	₱20,089

There are no items of property and equipment that are pledged as security to liabilities as of December 31, 2020 and 2019.

There are no contractual purchase commitments for property and equipment as of December 31, 2020 and 2019.

Costs of fully depreciated electronic data processing equipment still in use amounted to ₱1.55 million as of December 31, 2020 and 2019.

9. Accounts and Other Payables

This account consists of:

	2020	2019
Due to related parties (Note 19)	**₱405,111,433**	₱179,751,118
Accrued expenses		
Repairs and maintenance	**14,331,615**	6,079,597
Rent	**12,654,660**	3,298,736
Light and water	**10,770,650**	12,144,253
Others	**18,838,974**	29,429,565
Taxes payable	**24,485,058**	13,233,473
Accounts payable	**26,949,888**	29,755,900
Retention payable	**785,200**	785,200
	₱513,927,478	₱274,477,842

Accrued expenses others consist mainly of accruals for professional fees, postal and communication, supplies, transportation and travel, security, insurance and representation. These are noninterest-bearing.

Taxes payable consist of amounts payable to taxing authority pertaining to expanded withholding taxes.

Accounts payable arises from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on 15- to 60-day terms.

Retention payable pertains to the portion of contractor's progress billings withheld by the Company which will be released after the satisfactory completion of the contractor's work. The retention payable serves as a security from the contractor should there be defects in the project. These are noninterest-bearing and are normally settled upon completion of the relevant contract.

10. Construction Bonds

Construction bonds represent cash bonds to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein by the lessee. The bond will be refunded after full completion of the construction, renovation or improvements and inspection by the Company.

The carrying value of the Company's construction bonds amounted to ₱11.11 million as of December 31, 2019 (nil as of December 31, 2020).

11. **Deposits and Other Liabilities**

This account consists of:

	2020	2019
Advance rentals	**₱406,952,127**	₱386,014,343
Security deposits (Note 20)	**383,208,715**	314,447,416
Deferred credits	**61,932,409**	66,465,881
	852,093,251	766,927,640
Less current portion	**129,399,846**	166,793,502
	₱722,693,405	₱600,134,138

The current portion of these accounts follows:

	2020	2019
Security deposits (Note 20)	**₱83,737,432**	₱84,729,181
Advance rentals	**45,536,484**	81,793,332
Deferred credits	**125,930**	270,989
	₱129,399,846	₱166,793,502

Advance rentals
Advance rentals from lessees represent cash received in advance representing three (3) months' rent which will be applied to the last three (3) months' rentals on the related lease contracts.

Security deposits
Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three (3) months' rent and will be refunded to the lessee at the end of the lease term.

The rollforward of security deposits follows:

	2020	2019
Gross Amount		
Balance at beginning of year	**₱394,737,664**	₱355,834,182
Additions	**66,025,305**	80,405,744
Refunds	**–**	(41,502,262)
Balance at end of year	**460,762,969**	394,737,664
Unamortized Discount		
Balance at beginning of year	**80,290,248**	77,202,362
Additions	**11,192,260**	15,650,424
Accretion (Note 16)	**(13,928,254)**	(12,562,538)
Balance at end of year	**77,554,254**	80,290,248
Net Amount	**₱383,208,715**	₱314,447,416

Deferred credits
Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method.

The rollforward of deferred credits follows:

	2020	2019
Balance at beginning of year	**₱66,465,881**	₱69,069,960
Additions	**11,192,260**	15,650,424
Amortization (Note 13)	**(15,725,732)**	(18,254,503)
Balance at end of year	**61,932,409**	66,465,881
Less current portion	**125,930**	270,989
	₱61,806,479	₱66,194,892

12. **Equity**

Capital stock

The details of the Company's capital stock as of December 31, 2020 and 2019 follow:

	2020	2019
Authorized	1,174,000,000	1,174,000,000
Par value per share	₱10.00	₱10.00
Issued and outstanding shares	1,025,656,435	977,792,435

The changes in the number of shares follow:

	2020	2019	2018		
	Common	Common	Common	Preferred	
				A	B
Authorized number of shares					
Balance at beginning of year at ₱1 par value	**1,174,000,000**	1,174,000,000	33,679,500	716,320,500	990,000,000
Reclassification of unissued Preferred A shares (c.i)	**–**	–	83,020,800	(83,020,800)	–
Reclassification of Preferred A shares held in treasury (c.ii)	**–**	–	633,299,700	(633,299,700)	–
Reclassification of Preferred B shares held in treasury (c.iii)	**–**	–	40,000,000	–	(40,000,000)
Reclassification of outstanding preferred Bshares (c.iv)	**–**	–	950,000,000	–	(950,000,000)
Change in par value from ₱1 to ₱10 (d)	**–**	–	(1,566,000,000)	–	–
Increase in authorized capital stock at ₱10 par value (b)	**–**	–	1,000,000,000	–	–
Balance at end of year	**1,174,000,000**	1,174,000,000	1,174,000,000	–	–
Issued shares					
Balance at beginning of year	**1,045,122,405**	1,045,122,405	12,924,300	633,299,700	990,000,000
Reclassification of Preferred A shares (c.ii)	**–**	–	633,299,700	(633,299,700)	–
Reclassification of Preferred B shares (c.iii and c.iv)	**–**	–	990,000,000	–	(990,000,000)
Change in par value from ₱1 to ₱10 (d)	**–**	–	(1,472,601,600)	–	–
Issuance of new shares (a and b)	**47,864,000**	–	881,500,005	–	–
Balance at end of year	**1,092,986,405**	1,045,122,405	1,045,122,405	–	–
Treasury shares					
Balance at beginning of year	**(67,329,970)**	(67,329,970)	–	(633,299,700)	(20,000,000)
Redemption of shares	**–**	–	–	–	(20,000,000)
Reclassification of Preferred A shares (c.ii)	**–**	–	(633,299,700)	633,299,700	–
Reclassification of Preferred B shares (c.iii)	**–**	–	(40,000,000)	–	40,000,000
Change in par value from ₱1 to ₱10 (d)	**–**	–	605,969,730	–	–
Balance at end of year	**(67,329,970)**	(67,329,970)	(67,329,970)	–	–
Outstanding	**1,025,656,435**	977,792,435	977,792,435	–	–

a. On June 23, 2020, the Company's BOD approved the offer and sale of 47,864,000 common shares out of the unissued portions of the authorized capital stock for initial public offering at an offer price of ₱27 per share.

b. On September 26, 2018, the Company's BOD approved the increase in its authorized capital stock by ₱10 billion additional common shares with a par value of ₱1 per share and approved the subscription of ALI of ₱8.815 billion shares at ₱1 per share.

c. On the same date, the Company's BOD approved the reclassification of the following shares:
   i. ₱83,020,800 unissued Preferred A shares with a par value of ₱1 per share;
   ii. ₱633,299,700 Preferred A shares with a par value of ₱1 per share held in treasury
   iii. ₱40,000,000 of Preferred B shares with a par value of ₱1 per share held in treasury
   iv. ₱950,000,000 of outstanding Preferred B shares with a par value of ₱1 into ₱1,706,320,500 Common shares

d. The Company's BOD also approved the increase in the par value of the common shares from ₱1 to ₱10 per share.

On December 18, 2018, the SEC approved the Company's application for (a) increase in authorized capital stock, (b) reclassification/conversion into common shares of (1) unissued Preferred A shares; (2) Preferred A shares held in treasury; (3) Preferred B shares held in treasury; and (4) outstanding Preferred B shares issued to ALO and its nominees, and (c) the increase in the par value of the common shares from ₱1 to ₱10 per share.

Preferred shares
Preferred shares A have the following features: (a) voting, (b) participating, (c) preferred in liquidation to the extent of par value, and (d) redeemable at the option of the Company.

Preferred shares B have the following features: (a) voting, (b) preferred in dividend over Common, (c) non-cumulative, (d) non-participating, (e) no pre-emptive right to any issue of shares, and (d) redeemable at the option of the Company.

In 2018, preferred shares A and B have all been converted to common shares.

Initial Public Offering (IPO)
On July 10, 2020, the SEC rendered effective the Company's REIT Plan and the registration of its 1,092,986,405 common shares.

On July 15, 2020, the Philippine Stock Exchange, Inc. (PSE) approved the application of the Company for the initial listing of its 1,092,986,405 common shares under the Main Board of the PSE, to cover the Company's IPO.

The Company was listed on the Main Board of the PSE on August 13, 2020.

Additional Paid-in Capital (APIC)
The Company recorded APIC amounting to ₱785.68 million, net of transaction costs. The Company incurred transaction costs incidental to the IPO that is directly attributable to the issuance or subscription of new shares amounting to ₱28.01 million in 2020.

Retained Earnings
On August 17, 2020, the Company's BOD approved the declaration of cash dividends for the first and second quarter of 2020, of ₱0.28 and ₱0.31 per outstanding common share, respectively, to stockholders on record date as of September 2, 2020. These are paid on September 15, 2020.

On November 17, 2020, the Company's BOD approved the declaration of cash dividends for third quarter of 2020, of ₱0.34 per outstanding common share to stockholders on record date as of December 7, 2020. The cash dividend was paid on December 17, 2020 to stockholders.

On April 3, 2019, the Company's BOD approved the declaration of cash dividends of ₱0.98 per share or an aggregate amount of ₱961.30 million to stockholders of record as of the same date. These are paid in 2019.

On September 26, 2018, the Company's BOD approved the declaration of cash dividends of ₱25.96 per common share or an aggregate amount of ₱335.50 million and 5% coupon dividend amounting to ₱48.50 million to Preferred B stockholders of record as of October 26, 2017. These are paid in 2018.

Treasury Shares
On September 26, 2018, the Company's BOD approved the redemption of Preferred B shares amounting to ₱20.00 million which was paid in 2018.

On December 13, 2018, the Company's treasury shares were all converted to common shares.

Capital Management
The primary objectives of the Company's capital management policies are to afford the financial flexibility to support its business initiatives while providing a sufficient cushion to absorb cyclical industry risks and to maximize stakeholder value. The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions. The Company considers its total equity as capital.

The Company's sources of capital as of December 31, 2020, 2019 and 2018 follow:

	2020	2019	2018
Paid-up capital	**₱10,929,864,050**	₱10,451,224,050	₱10,451,224,050
Additional paid-in capital	**785,681,404**	–	–
Treasury shares	**(673,299,700)**	(673,299,700)	(673,299,700)
Retained earnings	**1,296,128,252**	1,022,804,424	722,691,606
	₱12,338,374,006	₱10,800,728,774	₱10,500,615,956

The Company is subject to external capital requirement as a REIT to have a minimum paid-up capital of ₱300.00 million.

No changes were made in the Company's capital management objectives, policies or processes in 2020, 2019 and 2018.

13. Rental Income

This account consists of:

	2020	2019	2018
Office and retail (Note 17)	**₱1,407,588,642**	₱1,247,556,282	₱652,943,086
Parking fees (Note 17)	**72,409,517**	58,112,083	35,142,141
Amortization of deferred credits (Note 11)	**15,725,732**	18,254,503	7,932,483
	₱1,495,723,891	₱1,323,922,868	₱696,017,710

Rental income from office, retail and parking includes income from straight-line method of recognizing rental income amounting to ₱47.44 million, ₱136.66 million and ₱138.75 million in 2020, 2019, and 2018 respectively.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions. Rent discounts and concessions given vary for merchants that are (1) forced to close and those that are still (2) operational. Rental fees and common charges of merchants who were forced to close during the quarantine period were waived a certain percentage in their common area usage expenses.

14. Dues and Interest Income from Finance Lease Receivables

Dues pertains to net recoveries from tenants for the usage of common areas and utilities. This account consists of:

	2020	2019	2018
Dues	**₱576,867,882**	₱519,298,804	₱306,666,900
Direct operating expenses			
Utilities	**187,486,380**	218,098,134	91,418,469
Outside services	**40,912,975**	63,827,195	20,282,707
Repairs and maintenance	**38,119,740**	39,120,487	23,682,165
Miscellaneous	**5,261,390**	5,932,031	1,969,434
	271,780,485	326,977,847	137,352,775
	₱305,087,397	₱192,320,957	₱169,314,125

Set out below is the disaggregation of the Company's revenue from non-lease component:

	2020	2019	2018
Dues:			
Common area charges	**₱225,709,821**	₱162,061,630	₱160,714,250
Utilities dues	**79,377,576**	30,259,327	8,599,875
	₱305,087,397	₱192,320,957	₱169,314,125

Interest income from finance lease receivables
This account pertains to accretion of finance lease receivable amounting to ₱150.81 million and ₱46.84 in 2020 and 2019, respectively, (see Note 17; nil for the year ended December 31, 2018).

15. Interest and Other Income

Interest Income
This account consists of:

	2020	2019	2018
Interest income from intercompany loans (Note 19)	**₱78,306,379**	₱57,948,495	₱17,077,503
Interest income from cash in banks (Note 4)	**364,206**	313,346	95,032
	₱78,670,585	₱58,261,841	₱17,172,535

Gain under Finance Lease
Gain under finance lease pertains to the difference between the fair value of finance lease receivable and the carrying amount of the portion of investment property under finance lease (see Notes 7 and 17).

Other Income
This account pertains to income earned from interest and penalties arising from late payments amounting to ₱3.66 million, ₱0.14 million and ₱0.36 million in 2020, 2019 and 2018 respectively.

16. Costs and Expenses and Other Charges

Direct Operating Expenses
This account consists of:

	2020	2019	2018
Depreciation and Amortization (Note 7 and Note 17)	**₱225,529,580**	₱190,575,635	₱75,945,553
Taxes and licenses	**139,690,380**	101,510,662	34,414,200
Land lease (Notes 17 and 19)	**110,552,423**	97,521,679	39,641,491
Management fees (Note 19)	**97,850,770**	35,543,753	27,273,745
Insurance	**8,249,699**	6,125,499	1,611,480
Others	**3,429,555**	4,739,820	2,127,845
	₱585,302,407	₱436,017,048	₱181,014,314

General and Administrative Expenses
This account consists of:

	2020	2019	2018
Taxes and licenses	**₱26,806,570**	₱1,769,095	₱1,955,099
Provision for doubtful accounts (Note 5)	**7,258,842**	–	–
Professional fees	**6,529,287**	11,025,773	361,920
Depreciation (Note 8)	**8,036**	31,404	64,162
System costs (Note 19)	**–**	149,500	154,950
Others	**8,871,578**	1,205,774	1,637,951
	₱49,474,313	₱14,181,546	₱4,174,082

Interest Expense
This account consists of:

	2020	2019	2018
Interest expense on lease liabilities (Note 17)	**₱51,490,870**	₱–	₱–
Accretion of security deposit (Note 11)	**13,928,254**	12,562,538	16,810,309
	₱65,419,124	₱12,562,538	16,810,309

17. Agreements and Lease Commitments

The Company as lessor - operating lease
The Company entered into lease agreements with third parties covering its investment properties for a period of two (2) to more than five (5) years. These noncancellable leases are subject to 5% to 10% annual escalation rate.

The future minimum rentals receivable under noncancellable operating leases are as follows:

	2020	2019	2018
Within one year	**₱1,580,530,864**	₱1,247,102,277	₱1,043,809,274
After one year but not more than five years	**5,332,899,560**	5,111,571,372	4,599,357,333
More than five years	**492,474,823**	341,483,942	1,329,693,902
	₱7,405,905,247	₱6,700,157,591	₱6,972,860,509

Total rental income amounted to ₱1,495.72 million, ₱1,323.92 million and ₱696.02 million in 2020, 2019 and 2018 respectively (see Note 13). Rental income arising from variable rent based on gross sales amounted to ₱5.98 million, ₱2.12 million and nil in 2020, 2019 and 2018, respectively.

In 2020, the Company granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱37.59 million. These rent concessions did not qualify as a lease modification, thus, were accounted for as a variable lease payment and reported as reduction of lease income in 2020 (see Note 3).

The Company as lessor - finance lease
In 2019, the Company entered into a building lease agreement with Makati North Hotel Ventures, Inc. (MNHVI) for a term of 39 years (see Note 19). The agreement pertains to the lease of a portion, composed of 18 floors stacked on top of the headquarters tower, of ANE building. The lease agreement states that the Company shall deliver to MNHVI the physical possession of the leased premise on July 8, 2019. The lease generally provides for (a) quarterly rent based on a fixed rate for the first five (5) years and (b) fixed rate plus a certain percentage of total revenue of the Lessee for the remaining period of the lease term.

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

	2020	2019
Within one year	**₱347,387,646**	₱203,280,000
More than one year and not more than five years	**650,496,000**	650,496,000
More than 5 years	**5,258,176,000**	5,552,653,750
Total undiscounted lease payments and unguaranteed residual value	**6,256,059,646**	6,406,429,750
Less: unearned finance income	**4,013,478,591**	4,138,497,813
Net investment in the lease	**₱2,242,581,055**	₱2,267,931,937

The net investment in the lease consists of the present value of minimum lease payments amounting to ₱2,221.09 million. The Company derecognized the portion of investment property under finance lease amounting to ₱1,823.95 million (see Note 7) which resulted to a gain under finance lease amounting to ₱397.14 million in 2019. The Company also recognized interest income earned amounting to ₱150.81 million and ₱46.84 million in 2020 and 2019 (see Note 14; nil in 2018).

The Company remains to be the legal owner of the portion of ANE building under finance lease.

The Company as lessee
On October 5, 2018, ALI assigned to the Company the land lease agreement with HLC with a lease term of 40 years. The agreement pertains to land lease of ANE properties. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

On January 1, 2016, the Company entered into a land lease agreement with ALI for a term of 50 years (see Note 19). The agreement pertains to land lease of Solaris building. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income. On April 26, 2019, the lease agreement was amended reducing the lease term from 50 years to 33 years.

On January 31, 2020, the Company entered into a contract of lease with ALI for the lease of land and building commencing on February 1, 2020 for a period of 34 years. The agreement pertains to land and building lease of MECC. The rent is payable at a fixed monthly rate of ₱2.73 million, subject to 5% annual escalation rate.

The rollforward analysis of lease liability follows:

	2020
Balance at beginning the period	₱–
Addition	853,150,009
Interest expense (Note 16)	51,490,870
Payment	(32,796,936)
Balance at the end of the period	871,843,943
Current lease liability	34,300,129
Noncurrent lease liabilities	₱837,543,814

The following are the amounts recognized in the statements of comprehensive income from the above lease agreements as lessee:

	2020	2019	2018
Rent expense - variable lease payments (Note 16)	**₱110,552,423**	₱97,521,679	₱39,641,491
Depreciation expense of right-of-use asset (Notes 7 and 16)	**22,382,951**	–	–
Accretion of interest expense (Note 16)	**51,490,870**	–	–
Total amounts recognized in the statements of income	**₱184,426,244**	₱97,521,679	₱39,641,491

Right-of-use asset and lease liability recognized during the period pertains to new lease agreement for which lease payments are fixed. Prior to December 31, 2019, all lease contracts where the Company is a lessee have lease payment terms that is purely variable linked to future performance or use of the underlying asset, therefore no right-of-use asset is recognized.

On October 1, 2020, APRC assigned to the Company its 31-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Teleperformance Cebu building is located. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

The Company's contracts of lease for the land spaces that it occupies include dismantling provision clause at the option of the lessor. The Company did not recognize any asset retirement obligation as of the reporting date as the current assessment of the amount of outflow in dismantling the asset in the future is immaterial.

18. Income Tax

Provision for (benefit from) income tax consists of:

	2020	2019	2018
Current	**₱173,735,934**	₱202,459,244	₱145,243,982
Deferred	**(67,232,321)**	91,926,271	(1,490,954)
Final	**72,840**	62,669	19,006
	₱106,576,453	₱294,448,184	₱143,772,034

The current provision for income tax represents RCIT in 2020, 2019 and 2018. Prior to the Company's listing date on August 13, 2020, the Company recognized provision for income tax amounting to ₱173.74 million. The Company started to avail of its tax incentive as a REIT after its listing.

In 2020, 2019, and 2018 the Company availed of the optional standard deduction (OSD).

As of December 31, 2020 and 2019, the components of net deferred tax liabilities follow:

	2020	2019
Deferred tax assets on:		
Lease liabilities	**₱15,693,191**	₱–
NOLCO	**7,880,324**	–
Advance rentals	**6,219,404**	60,317,256
Accrued expense	**1,018,726**	10,395,708
Allowance of credit losses	**268,628**	1,379,685
	31,080,273	72,092,649
Deferred tax liabilities on:		
Right-of-use asset	**(14,953,807)**	–
Difference between finance and operating lease method	**(8,629,444)**	(72,894,340)
Excess of lease income over collections	**(7,497,022)**	(66,430,630)
	(31,080,273)	(139,324,970)
	₱–	(₱67,232,321)

As of December 31, 2020, deferred tax assets and liabilities are recognized based on the effective income tax rate of 1.8% under REIT law and due to the Company's availment of OSD.

The Company did not recognize deferred tax assets on temporary difference of NOLCO amounting to ₱43.49 million as of December 31, 2020.

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

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2020	₱481,283,017	₱–	₱481,283,017	2025

The reconciliation between the statutory income tax rate to the effective income tax rate shown in the statements of comprehensive income follows:

	2020	2019	2018
Statutory income tax rate	**30.00%**	30.00%	30.00%
Add (deduct) tax effect of:			
Nondeductible expenses	**0.32**	0.16	3.01
Nontaxable income	**(0.36)**	(4.17)	(0.35)
Deductible expenses due to option to use OSD	**(9.47)**	(7.07)	(11.54)
Movement in deferred taxes	**3.26**	–	–
Unrecognized deferred taxes	**1.08**	–	–
Deductible dividends	**(16.84)**	–	–
Effective income tax rate	**7.99%**	18.92%	21.12%

19. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

Terms and Conditions of Transactions with Related Parties
The Company, in its regular conduct of business, has entered into transactions with related parties consisting of advances and development, management, marketing and leasing and administrative service agreements. These are based on terms agreed by the parties.

Outstanding balances at yearend are unsecured, noninterest-bearing and settlement occurs in cash, unless otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables.

The following tables provide the total balances and amount of transactions that have been entered into with related parties for the relevant financial year:

	December 31, 2020			
Category	Volume	Outstanding Balance	Terms	Conditions
Finance lease receivable				
Makati North Hotel Ventures, Inc. (k)	₱2,267,931,937	₱2,242,581,055	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
Due from related parties				
Parent Company				
Ayala Land, Inc. (a and b)	213,486,694	704,987,832	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Affiliates*				
Central Block Developers, Inc. (b)	274,478,804	390,088,703	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	125,222,121	205,762,016	Interest-bearing; On demand	Unsecured; No impairment
Ten Knots Philippines, Inc. (b)	121,237,212	121,237,212	Interest-bearing; On demand	Unsecured; No impairment
Arca South Commercial Ventures Corp. (b)	118,928,479	118,928,479	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	68,493,570	117,088,223	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	57,403,674	88,744,234	Interest-bearing; On demand	Unsecured; No impairment
ALI Makati Hotel Property, Inc. (b)	77,652,336	77,652,336	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	21,900,715	59,689,408	Interest-bearing; On demand	Unsecured; No impairment
Laguna Technopark Inc. (b)	52,641,856	52,641,856	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	44,908,188	50,596,462	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc. (b)	1,622,649	42,812,127	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation (b)	26,378,532	26,479,453	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	25,607,965	25,607,965	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	24,393,442	24,393,442	Interest-bearing; On demand	Unsecured; No impairment
Bay City Commercial Ventures Corp. (b)	22,539,460	22,539,460	Interest-bearing; On demand	Unsecured; No impairment
Leisure and Allied Industries Phils. Inc. (b)	20,050,000	20,050,000	Interest-bearing; On demand	Unsecured; No impairment
Sicogon Island Tourism Estate Corp. (b)	18,027,500	18,027,500	Interest-bearing; On demand	Unsecured; No impairment
ALI Commercial Center, Inc. (b)	15,022,155	15,022,155	Interest-bearing; On demand	Unsecured; No impairment
Nuevocentro, Inc. (b)	11,072,450	11,072,450	Interest-bearing; On demand	Unsecured; No impairment
Hillsford Property Corporation (b)	10,009,511	10,009,511	Interest-bearing; On demand	Unsecured; No impairment
Makati North Hotel Ventures, Inc. (k)	8,605,250	8,605,250	Noninterest-bearing; On demand	Unsecured; No impairment
First Gateway Real Estate Corp. (j)	10,524,108	8,432,222	Noninterest-bearing; On demand	Unsecured; No impairment
Sicogon Town Hotel, Inc. (b)	8,014,056	8,014,056	Interest-bearing; On demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc. (b)	4,352,954	4,352,954	Interest-bearing; On demand	Unsecured; No impairment

(Forward)

Category	Volume	Outstanding Balance	Terms	Conditions
	December 31, 2020			
Airswift Transport, Inc. (b)	**₱2,550,667**	**₱2,550,667**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Ayalaland Malls Synergies, Inc. (b)	**518,902**	**2,507,137**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Amaia Land Corp. (b)	**2,030,502**	**2,030,502**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Westview Commercial Ventures Corp. (b)	**1,816,394**	**1,816,394**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Ayala Property Management Corporation (b)	**561,175**	**561,175**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Econorth Resorts Ventures, Inc. (b)	**119,225**	**119,225**	**Interest-bearing; On demand**	**Unsecured; No impairment**
BellaVita Land Corp. (b)	**39,830**	**39,830**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Cebu Holdings, Inc. (b)	**38,382**	**38,382**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Alveo Land Corp. (g)	**4,661,787**	**33,114**	**Noninterest-bearing; On demand**	**Unsecured; No impairment**
Accendo Commercial Corp (b)	**11,930**	**11,930**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Sunnyfield E-Office Corp. (b)	**150**	**150**	**Interest-bearing; On demand**	**Unsecured; No impairment**
	₱	**₱2,242,543,812**		

**Entities under common control*

Category	Volume	Outstanding Balance	Terms	Conditions
	December 31, 2020			
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	**₱86,040,072**	**₱306,091,203**	**Noninterest-bearing, due and demandable**	**Unsecured**
Affiliates*				
AREIT Fund Managers, Inc. (m)	**37,373,124**	**37,373,124**	**Noninterest-bearing; On demand**	**Unsecured**
AREIT Property Managers, Inc. (n)	**28,598,120**	**28,598,120**	**Noninterest-bearing; On demand**	**Unsecured**
HLC Development Corporation (c)	**20,987,186**	**13,773,210**	**Noninterest-bearing; On demand**	**Unsecured**
Ayala Property Management, Corp. (f)	**6,720,868**	**6,720,868**	**Noninterest-bearing; On demand**	**Unsecured**
Direct Power Services, Inc. (d)	**42,535,151**	**3,317,064**	**Noninterest-bearing; On demand**	**Unsecured**
AyalaLand Offices, Inc. (h)	**4,157,942**	**4,157,942**	**Noninterest-bearing; On demand**	**Unsecured**
Makati Development Corp. (e)	**–**	**2,019,459**	**Noninterest-bearing; On demand**	**Unsecured**
Manila Water Company, Inc. (l)	**2,061,853**	**2,061,853**	**Noninterest-bearing; On demand**	**Unsecured**
Others**	**998,590**	**998,590**	**Interest-bearing and noninterest-bearing; On demand**	**Unsecured**
	₱	**₱405,111,433**		

**Entities under common control*
***Entities below* ₱2.00 million

Category	Volume	Outstanding Balance	Terms	Conditions
	December 31, 2019			
Finance lease receivable				
Makati North Hotel Ventures, Inc. (k)	₱2,267,931,937	₱2,267,931,937	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
Due from related parties				
Parent Company				
Ayala Land, Inc. (a and b)	75,070,139	514,752,540	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Affiliates*				
Bay City Commercial Ventures Corp. (b)	386,891,522	386,891,522	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	319,356,979	170,643,021	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	119,644,900	119,644,900	Interest-bearing; On demand	Unsecured; No impairment

(Forward)

Category	December 31, 2019 Volume	Outstanding Balance	Terms	Conditions
Central Block Developers, Inc. (b)	₱50,309,899	₱115,609,899	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	100,217,708	100,217,708	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	43,715,380	80,539,895	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	48,594,653	48,594,653	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	5,218,238	42,018,238	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc. (b)	41,189,478	41,189,478	Interest-bearing; On demand	Unsecured; No impairment
Bank of the Philippine Islands (i)	38,190,369	38,190,369	Noninterest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	37,788,693	37,788,693	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	31,340,560	31,340,560	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	9,628,326	25,371,674	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	1,089,157	21,722,132	Interest-bearing; On demand	Unsecured; No impairment
Airswift Transport, Inc. (b)	12,026,125	13,582,349	Interest-bearing; On demand	Unsecured; No impairment
First Gateway Real Estate Corp. (j)	111,608,067	7,491,933	Noninterest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	5,688,274	5,688,274	Interest-bearing; On demand	Unsecured; No impairment
Others**	5,415,182	2,611,784	Interest-bearing and noninterest-bearing; On demand	Unsecured; No impairment
	₱	₱1,803,889,622		

**Entities under common control*
***Entities below* ₱2.00 million

Category	December 31, 2019 Volume	Outstanding Balance	Terms	Conditions
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	₱62,736,563	₱153,545,941	Noninterest-bearing, due and demandable	Unsecured
Afiliates*				
Direct Power Services, Inc. (d)	5,811,587	10,334,751	Noninterest-bearing; On demand	Unsecured
HLC Development Corporation (c)	5,648,541	5,648,541	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	3,592,279	4,218,940	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	2,549,092	2,922,779	Noninterest-bearing; On demand	Unsecured
Makati Development Corp. (e)	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Others**	1,452,570	1,060,707	Noninterest-bearing; On demand	Unsecured
	₱	₱179,751,118		

**Entities under common control*
***Entities below* ₱2.00 million

The following describes the nature of the material transactions of the Company with related parties in 2020, 2019 and 2018:

(a) The Company's intercompany receivable from ALI pertains to collection of lease payments of tenant on behalf of the Company amounting to ₱29.63 million as of December 31, 2020, 2019 and 2018 and payment of operating expenses for and on behalf of ALI amounting to ₱0.02 million and ₱0.66 million as of December 31, 2019 and 2018, respectively.

ALI handles the lease management and marketing functions including key management personnel services of the Company and is entitled to receive a management fee. The Company recognized management fee amounting to ₱13.33 million in 2020, ₱20.00 million in 2019 and 2018 (see Note 16).

The Company entered into contracts of lease with ALI to occupy parcels of land where the Solaris and Teleperformance Cebu buildings are located. The Company recognized “Land lease” under “Direct operating expenses” in the statements of comprehensive income amounting to ₱39.04 million, ₱35.98 million and ₱36.32 million in 2020, 2019 and 2018 respectively (see Note 16).

ALI allocated system costs amounting to ₱0.15 million in 2019 and 2018 (see Note 16; nil in 2020).

On January 31, 2020, the Company entered into a contract of lease with ALI wherein ALI assigned, transferred, conveyed into the Company all of its rights and interests under existing tenant contracts which ALI had entered into with retail merchants and office tenants in connection with the development of MECC property. In addition, the contract of lease with ALI also contains the assumption of obligations wherein the Company thereby assumed all obligations of the ALI under the existing tenant contracts in MECC property.

On February 1, 2020, ALI transferred the advance rent, security deposits and initial direct cost incurred for existing tenants of MECC property amounting to ₱75.09 million. Furthermore, payable amounting to ₱9.14 million as of December 31, 2020 pertain to expenses paid by ALI on behalf of AREIT for MECC operations.

(b) The Company provides interest-bearing loan to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 2.63% to 5.50%, 2.64% to 6.25% and 2.36% to 2.98% per annum in 2020, 2019 and 2018 respectively.

The Company recognized interest income amounting to ₱78.31 million, ₱57.95 million and ₱17.08 million in 2020, 2019 and 2018 respectively (see Note 15).

Documentary stamp tax is paid by the borrowers at the time of the loan.

(c) HLC, a subsidiary of Amorsedia Development, Corporation, leases a land to the Company. The Company recognized “Land lease” under “Direct operating expenses” in the statements of comprehensive income amounting to ₱71.51 million, ₱61.54 million and ₱3.32 million in 2020, 2019 and 2018 respectively (see Note 16).

(d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred amounted to ₱42.54 million, ₱77.04 million, ₱47.26 million in 2020, 2019 and 2018, respectively of which the remaining payable amounted to ₱3.32million and ₱10.33 million as of December 31, 2020 and 2019, respectively.

(e) On December 19, 2006, the Company and Makati Development Corp. (the ‘Contractor’) signed a construction contract agreement for a specific project. The Company has an outstanding retention payable to the contractor amounting to ₱2.02 million as of December 31, 2020, 2019 and 2018.

(f) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company prior to its listing in exchange for a fee equivalent to ₱12.00 per square meter of the total gross leasable area of units accepted by tenants subject to an annual escalation of 5% of the immediate succeeding year’s rate. Provided, that if during the term, the occupancy rate of the building shall be 85% or above. If below 85%, the actual management fee for any given year shall be subject to approval of the BOD as part of the annual operating maintenance budget process. In the event no such approval is obtained, the management fee prevailing for the immediately preceding year shall apply. The Company recognized management fees amounting to ₱12.60 million, ₱15.54 million and ₱7.27 million in 2020, 2019 and 2018 respectively (see Note 16).

(g) Alveo Land Corp., a subsidiary of ALI, is a lessee of the Company. The Company recognized “Rental Income” in the statements of comprehensive income amounting to ₱4.66 million, ₱4.25 million and ₱2.68 million in 2020, 2019 and 2018, respectively, of which the remaining receivable amounted ₱0.03 million and ₱2.85 million as of December 31, 2020 and 2019, respectively.

(h) The Company’s intercompany payable to ALOI pertains to outstanding balance of accounting shared services billed on behalf of the Company amounting to ₱4.16 million, ₱2.92 million and ₱0.37 million in 2020, 2019 and 2018 respectively. The Company recognized accounting shared services in “Others” under “Direct operating expenses” in the statements of comprehensive income amounting to nil in 2020, ₱0.93 million in 2019 and 2018, respectively.

(i) Bank of the Philippine Islands, an associate of AC, is a lessee of the Company. The Company recognized “Rental Income” in the statements of comprehensive income amounting to ₱105.06 million, ₱116.74 million and ₱2.01 million in 2020, 2019 and 2018 respectively, of which the remaining receivable amounted to nil and ₱38.19 million as of December 31, 2020 and 2019, respectively.

(j) First Gateway Real Estate Corporation (FGREC), a subsidiary of ALOI, is a lessee of the Company. The Company recognized “Rental Income” in the statements of comprehensive income amounting to ₱10.52 million, ₱4.78 million and nil in 2020, 2019 and 2018, respectively.

(k) This pertains to the receivable arising from lease agreement with MNHVI (see Note 17). The Company recognized finance lease receivable amounting to ₱2,267.93 million. This includes interest income accretion amounting to ₱150.81 million and ₱46.84 million in 2020 and 2019 (nil in 2018, (see Note 15).

The Company also recognized receivable amounting to ₱8.61 million pertaining to payment for land lease on behalf of MNHVI.

Gain under finance lease amounted to nil, ₱397.14 million and nil in 2020, 2019 and 2018, respectively (see Notes 15 and 17).

(l) The Company’s intercompany payable to Manila Water Company, Inc. pertains to outstanding balance of water consumption incurred by the Company amounting to ₱2.06 million and ₱0.86 million in 2020 and 2019.

The Company recognized utility services in “Utilities” under “Dues” in the statements of comprehensive income amounting to ₱7.50 million and ₱1.25 million in 2020 and 2019 (nil in 2018; see Notes 14).

(m) AREIT Fund Managers, Inc., a subsidiary of ALI, handles the fund manager functions of the Company starting August 13, 2020, in exchange for a fee computed based on 0.10% of deposited property value plus 3.5% of the earnings before interest, taxes, depreciation, and amortization (EBITDA) before deduction of fees payable to fund manager and property manager and after deducting interest expense on lease liabilities for the period, exclusive of VAT. The Company recognized management fees amounting to ₱37.37 million in 2020 (nil 2019 and 2018).

(n) AREIT Property Managers, Inc., a subsidiary of ALI, handles the property management functions of the Company starting August 13, 2020 in exchange for a fee equivalent to 3% of gross rental income and interest income from finance lease per year plus 2% of EBITDA before deduction of fees payable to fund manager and property manager and after deducting interest expense from lease liabilities for the period, provided that such fee shall not exceed 1% of the net asset value of the properties being managed. The Company recognized management fees amounting to ₱34.54 million in 2020 (nil in 2019 and 2018).

Cash in bank
The Company has entered into transactions with Bank of the Philippine Islands, an associate of AC, consisting of cash in bank amounting to ₱22.21 million, ₱54.81 million and ₱4.39 million in 2020, 2019 and 2018, respectively (see Note 4). Interest income earned from these deposits amounted to ₱105,903, ₱41,175 and ₱34,038 in 2020, 2019 and 2018 respectively (see Note 15).

Compensation of Key Management Personnel
The key management functions of the Company are handled by ALI, AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. which charge management fees for such services. See items (a), (m) and (n) above.

20. **Financial Assets and Liabilities**

Fair Value Information
Except for the Company's security deposits, which are disclosed below, carrying values of the other financial instruments of the Company approximate their fair values due to the short-term nature of the transactions.

	2020		2019	
	Carrying value	**Fair value**	Carrying value	Fair value
Security deposits	**₱383,208,715**	**₱370,671,041**	₱314,447,416	₱335,432,923

Fair Value Hierarchy
As of December 31, 2020 and 2019 the Company has no financial instrument measured at fair value. In 2020, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

The fair value of the Company's security deposits is categorized under Level 3 in the fair value hierarchy.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2020, 2019 and 2018 are shown below:

	Valuation technique	**Significant unobservable inputs**	**Range**	**Sensitivity of the input to fair value**
Security deposits	DCF Method	Discount rate	2020: 3.14%-4.75% 2019: 0.10%-4.36% 2018: 0.39%-5.39%	Increase (decrease) in the discount would decrease (increase) the fair value

Financial Risk Management Objectives and Policies
The Company's principal financial instruments comprise of cash, receivables, accounts and other payables and security deposits which arise directly from the conduct of its operations. The main risks arising from the use of financial instruments are liquidity risk and credit risk.

The Company reviews policies for managing each of these risks. The Company monitors market price risk from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

Exposure to credit, interest rate and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management follow:

- to identify and monitor such risks on an ongoing basis;

- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Prior to Company's listing, ALI's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company. Effective August 13, 2020, AREIT Fund Manager's, Inc. handles fund manager functions of the Company (see Note 19).

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's credit risks are primarily attributable to cash, receivables and other financial assets. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis its exposure to credit risks.

Credit risk arising from rental income from leased properties is primarily managed through a tenant selection process. 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. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of financial capacity. Except for the trade receivables, the maximum exposure to credit risk of all financial assets is equal to their carrying amounts.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As of December 31, 2020 and 2019, 74.58%, and 69.08% of the Company's trade receivables are covered by security deposits, respectively. Trade receivables include accrued rent amounting to ₱416.50 million and ₱369.06 million as of December 31, 2020 and 2019, respectively. ECL related to trade receivables is minimal given its low credit risk and are generally covered by security deposits. The resulting ECL of ₱14.92 million and ₱7.66 million as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, the ECL relating to cash in banks is minimal as these are considered as low credit risk.

The Company has applied the simplified approach and has calculated ECLs based on lifetime ECL for finance lease receivable. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As of December 31, 2020 (nil as of December 31, 2019), ECL related to the Company's finance lease receivable is minimal given that the receivable is fully covered by the value of the underlying asset (as title to the asset is not transferred to the lessee) in the event of default by the counterparty and the counterparty is of good credit standing.

The Company did not provide any allowance relating to receivable from related parties in prior year. There are also no ECL recognized in the current year for related party receivables since there are no history of default payments. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The Company's maximum exposure to credit risk as of December 31, 2020 and 2019 is equal to the carrying values of its financial assets, except for "Trade receivables" under "Receivables" in the statements of financial position. Details follow:

	2020			
	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
Cash in banks	**₱58,955,047**	**₱–**	**₱58,955,047**	**₱–**
Receivables				
Finance lease receivable	**2,242,581,055**	**2,677,510,000**	**–**	**2,242,581,055**
Due from related parties	**2,233,081,973**	**–**	**2,233,081,973**	**–**
Trade receivables	**513,817,255**	**360,671,041**	**143,146,214**	**360,671,041**
Other receivables	**897,650**	**–**	**897,650**	**–**
Recoverable deposits	**10,034,460**	**–**	**10,034,460**	**–**
	₱5,059,367,440	**₱3,038,181,041**	**₱2,446,115,344**	**₱2,603,252,096**

	2019			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱122,158,106	₱–	₱122,158,106	₱–
Receivables				
Finance lease receivable	2,267,931,937	2,461,200,000	–	2,267,931,937
Due from related parties	1,803,889,622	–	1,803,889,622	–
Trade receivables	486,947,707	335,432,923	153,486,192	333,461,515
Other receivables	374,307	–	374,307	–
Recoverable deposits	–	–	–	–
	₱4,681,301,679	₱2,796,632,923	₱2,079,908,227	₱2,601,393,452

Liquidity risk
The Company actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while working capital requirements are sufficiently funded through cash collections and capital infusion by stockholders.

Through scenario analysis and contingency planning, the Company also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost and ensures the availability of ample unused credit facilities as back-up liquidity.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments:

	2020			
	< 1 year	**1 to 5 years**	**> 5 years**	**Total**
Financial assets				
Cash in banks	**₱58,955,047**	**₱–**	**₱–**	**₱58,955,047**
Receivables				
Finance lease receivable	**52,682,832**	**56,549,854**	**2,133,348,369**	**2,242,581,055**
Due from related parties	**2,242,543,812**	**–**	**–**	**2,242,543,812**
Trade receivables*	**147,567,643**	**351,325,853**	**–**	**498,893,496**
Other receivables	**897,650**	**–**	**–**	**897,650**
Recoverable deposits	**10,034,460**	**–**	**–**	**10,034,460**
	₱2,512,681,444	**₱407,875,707**	**₱2,133,348,369**	**₱5,053,905,520**

(Forward)

	2020			
	< 1 year	**1 to 5 years**	**> 5 years**	**Total**
Financial liabilities				
Accounts and other payables				
Due to related parties	**₱405,111,433**	**₱–**	**₱–**	**₱405,111,433**
Accrued expenses	**56,595,899**	**–**	**–**	**56,595,899**
Accounts payable	**26,949,888**	**–**	**–**	**26,949,888**
Retention payable	**785,200**	**–**	**–**	**785,200**
Security deposits	**83,737,432**	**299,471,283**	**–**	**383,208,715**
	₱573,179,852	**₱299,471,283**	**₱–**	**₱872,651,135**

**net of allowance for expected credit losses*

	2019			
	< 1 year	1 to 5 years	> 5 years	Total
Financial assets				
Cash in banks	₱122,158,106	₱–	₱–	₱122,158,106
Receivables				
Finance lease receivable	52,682,832	56,549,854	2,158,699,251	2,267,931,937
Due from related parties	1,803,889,622	–	–	1,803,889,622
Trade receivables*	145,217,999	334,064,791	–	479,282,790
Other receivables	374,307	–	–	374,307
Recoverable deposits	–	–	–	–
	₱2,124,322,866	₱390,614,645	₱2,158,699,251	₱4,673,636,762
Financial liabilities				
Accounts and other payables				
Due to related parties	₱179,751,118	₱–	₱–	₱179,751,118
Accrued expenses	50,952,151	–	–	50,952,151
Accounts payable	29,755,899	–	–	29,755,899
Retention payable	785,200	–	–	785,200
Construction bonds	11,105,498	–	–	11,105,498
Security deposits	84,729,181	229,718,235	–	314,447,416
	₱357,079,047	₱229,718,235	₱–	₱586,797,282

**net of allowance for credit losses*

21. Earnings Per Share

The Company's earnings per share for the years ended December 31, 2020, 2019 and 2018 were computed as follows:

	2020	2019	2018
Net income	**₱1,227,184,313**	₱1,261,410,487	₱537,091,374
Weighted average number of common shares	**996,151,230**	977,792,435	169,750,764
Basic/Diluted earnings per share	**₱1.23**	₱1.29	₱3.16

The weighted average number of common shares for the year ended December 31, 2018 is adjusted for the change in par value from ₱1 to ₱10 and the reclassification of preferred shares to common shares made by the Company on December 18, 2018.

The Company also assessed that there were no potential dilutive common shares in 2020, 2019 and 2018.

22. Segment Reporting

The Company has determined that it is currently 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 two-building lease operation is its only income-generating activity, and such is the measure used by the Chief Operating Decision Maker in allocating resources.

There were revenue transactions with two external customers which accounted for 10% or more of the total revenue amounting to ₱376.59 million and ₱255.97 million for the year ended December 31, 2020.

23. Notes to Statements of Cash Flow

The Company's noncash operating and investing activities are as follows:

Operating

- Receivable from ALI amounting to ₱75.09 million pertains to security deposits, advance rentals, and fixed charges collected from MECC tenants in 2020.
- Interest income from finance lease amounting to ₱150.81 million and ₱46.84 million in 2020 and 2019 (nil in 2018; see Notes 15, 17, 19).
- Interest expense arising from accretion of security deposit amounting to ₱13.93 million, ₱12.56 million and in ₱16.81 million in 2020, 2019 and 2018 respectively.
- Noncash movement of "Receivables" and "Investment properties" arising from lease agreement with MNVHI amounting to ₱2,221.09 million and ₱1,823.96 million, respectively, in 2019 (nil in 2018; see Notes 7, 17, 19).
- Uncollected advance rent and security deposits amounting to ₱408.31 million in 2018 (nil in 2020 and 2019; see Note 19).

Investing

- Movement in intercompany loans presented under investing activities amounting to ₱343.30 million, ₱199.00 million and ₱1,097.81 million in 2020, 2019 and 2018 respectively, is accounted as movement in "Receivables" that is presented under operating activities.
- Recognition of right-of-use asset recorded under "Investment properties" and lease liability amounting to ₱853.15 million.

24. Events After the End of the Reporting Period

On January 5, 2021, the Company entered into a deed of absolute sale with Technopark Land, Inc., a subsidiary of AC to acquire 98,179 square meters of land for ₱1.1 billion (VAT inclusive). Located in Laguna Technopark, the land is composed of four parcels occupied by Integrated Micro-Electronics, Inc., a subsidiary of AC, in two sites currently under a long-term lease for its global manufacturing and technology solutions. The acquisition was partially funded through debt.

On January 15, 2021, the Company entered into a deed of absolute sale with ALI for the acquisition of The 30th Commercial Development for ₱5.1 billion (VAT inclusive). Located along Meralco Avenue in Pasig City, it is a building with a total gross leasable area (GLA) of 75 thousand square meters composed of an office tower and a retail podium.

On January 29, 2021, the Company entered into short-term loan agreements with Bank of the Philippine Islands and Philippine National Bank for ₱4.00 billion and ₱145.00 million, respectively.

On February 24, 2021, the Company's BOD approved the declaration of cash dividends of ₱0.39 per outstanding common share for the fourth quarter of 2020. The cash dividends will be payable on March 25, 2021 to stockholders on record as of March 15, 2021. This will result into total cash dividends of ₱1.32 per outstanding common share from its full year 2020 operations.

25. Other Matters

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions to the Company's business activities. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain.

As of reporting date, establishments have reopened at adjusted operating hours and construction projects have resumed while following the safety protocols mandated by the national government. The Company's offices, retails and serviced apartment remained open throughout the community quarantine period, catering mostly to business process outsourcing employees and returning overseas Filipino workers.

26. Report on the Supplementary Information Required Under RR 15-2010

Value added tax (VAT)

The National Internal Revenue Code (NIRC) of 1997, as amended, also provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT.

The Company's vatable sales are based on actual collections received, hence may not be the same as amounts accrued in the statements of comprehensive income. The Company has zero-rated and exempt sales pursuant to Section 106(A)(2)(a)(5) of the Tax Code and Sections 109(A), 109(K) and 109 of the Tax Code, respectively.

In compliance with the requirements set forth by Revenue Regulations 15-2010 hereunder are the information on taxes and licenses fees paid or accrued during the taxable year 2020

Receipts and output VAT declared in the Company's VAT returns in 2020

	Net Receipts	Output VAT
Taxable receipts	₱834,496,812	₱100,139,617

The Company, in its 2020 VAT declarations, has reported Net Receipts of ₱834,496,812 and output VAT of ₱100,139,617. These amounts arise from the Company's interest income on intercompany loans.

Details of Input VAT follow:

Balance at January 1, 2020	₱409,505,794
Capital Goods not subject for Amortization	170,351
Input tax on depreciable capital good not attributable to any specific activity	175,507,085

(Forward)

Domestic purchases/payments for:	
Domestic purchases of services	₱708,006
Purchase of goods other than capital goods	29,464,832
Total Input VAT	615,356,068
Less applied against output VAT	100,139,617
Balance at December 31, 2020	₱512,216,451

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included in "Taxes and licenses" under "Direct operating expenses" and "General and Administrative expenses" in the statements of comprehensive income. Details of other taxes and licenses in 2020 follow:

Local	
Real property tax	₱119,020,445
Business permit	17,800,331
Community tax	10,500
Others	2,670,426
	139,501,702
National	
Fire permit	116,178
BIR annual registration	500
Others	85,795
	202,473
	₱139,704,175

Withholding Taxes
The Company's expanded withholding taxes for the year amounted to ₱9,945,601. Out of which, ₱4,315,169 remain outstanding as part of "Taxes payable" under "Accounts and other payables" as of December 31, 2020.

Taxes on Importation
The Company has not made any importations in 2020.

Excise Tax
The Company has no transaction subject to excise tax in 2020.

Documentary Stamp Tax
The Company paid documentary stamp tax amounted ₱5.27 million for the year ended December 31, 2020 pertaining to lease contracts of various tenants.

Tax Contingencies
The Company did not receive any Letter of Assessment, Preliminary Assessment Notice and Final Tax Assessment before or during 2020, nor it has tax cases under preliminary investigations, litigation, and/or prosecution in courts or bodies outside the administration of the Bureau of Internal Revenue.

SyCip Gorres Velayo & Co.
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULE

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated February 24, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534336, January 4, 2021, Makati City

February 24, 2021

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated February 24, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the 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 financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534336, January 4, 2021, Makati City

February 24, 2021

AREIT, INC.

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AREIT, INC.
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2020

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash			
Cash in banks			
Deutsch Bank	₱36,746,184	₱36,746,184	₱258,303
Bank of Philippine Islands	22,208,863	22,208,863	105,903
	58,955,047	58,955,047	364,206
Receivables			
Related parties	4,485,124,867	4,485,124,867	229,120,496
Third parties	513,817,255	513,817,255	–
Others	897,650	897,650	–
	4,999,839,772	4,999,839,772	229,120,496
	₱5,058,794,819	₱5,049,332,981	₱229,433,841

SCHEDULE B

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2020

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Current	Noncurrent	Balance at the end of the year
N/A	N/A	N/A	N/A	N/A	N/A	N/A

SCHEDULE C

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020

	Receivable Balance	Payable Balance	Current portion
Total Eliminated Receivables/Payables	N/A	N/A	N/A

SCHEDULE D

AREIT, INC.
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2020

Long-term Debt			
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “current portion of long-term” in related balance sheet	Amount shown under caption “long-term debt” in related balance sheet
N/A	N/A	N/A	N/A

SCHEDULE E

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2020

Indebtedness to Related Parties (Long-term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

SCHEDULE F

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2020

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

AREIT, INC.
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2020

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	1,174,000,000	1,025,656,435	−	1,025,656,428	7	−

SCHEDULE 68-D

AREIT, INC.
SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2020

Unappropriated Retained Earnings, beginning		₱1,022,804,424
Less: Deferred tax assets		72,092,649
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		950,711,775
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	₱1,227,184,313	
Less: Non-actual/unrealized income net of tax		
Amount of provision for deferred tax during the period	(31,080,273)	
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	–	
Fair Value adjustment (M2M gains)	–	
Fair Value adjustments of Investment Properties 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	–	
Sub-total	1,196,104,040	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustments due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustments of Investment Properties (after tax)	–	
Net income Actual/Realized		1,196,104,040
Add (Less):		
Dividend declarations during the year	(953,860,485)	
Appropriations of Retained Earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
		(953,860,485)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱1,192,955,330

AREIT, INC.
SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE PUBLIC
DECEMBER 31, 2020

1. Gross and net proceeds as disclosed in the final prospectus

   ₱ 1,292,328,000

2. Actual gross and net proceeds

   ₱ 1,292,328,000

3. Each expenditure item where the proceeds were used

IPO Proceeds as of August 13, 2020		₱1,292,328,000
Less:	Initial Payment for the acquisition of Teleperformance Cebu	310,300,000
	Intercompany loans to affiliates	982,028,000
Balance of IPO Proceeds as of September 30, 2020		₱–
Add:	Collection of Intercompany loans to affiliates	₱982,028,000
Less:	Final Payment for the acquisition of Teleperformance Cebu	982,028,000
Balance of IPO Proceeds as of December 31, 2020		₱–

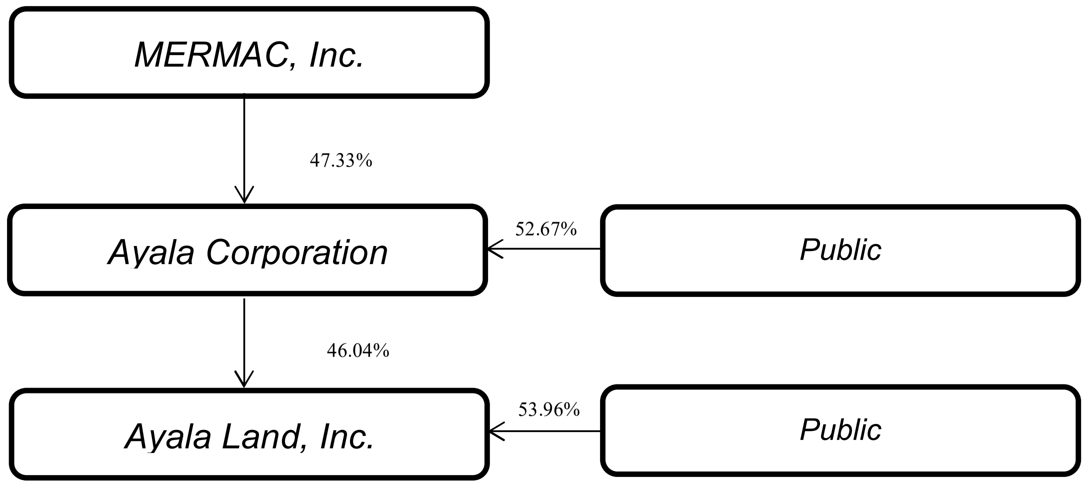
4. Balance of the proceeds as of end of reporting period

   ₱ –

AREIT, INC.

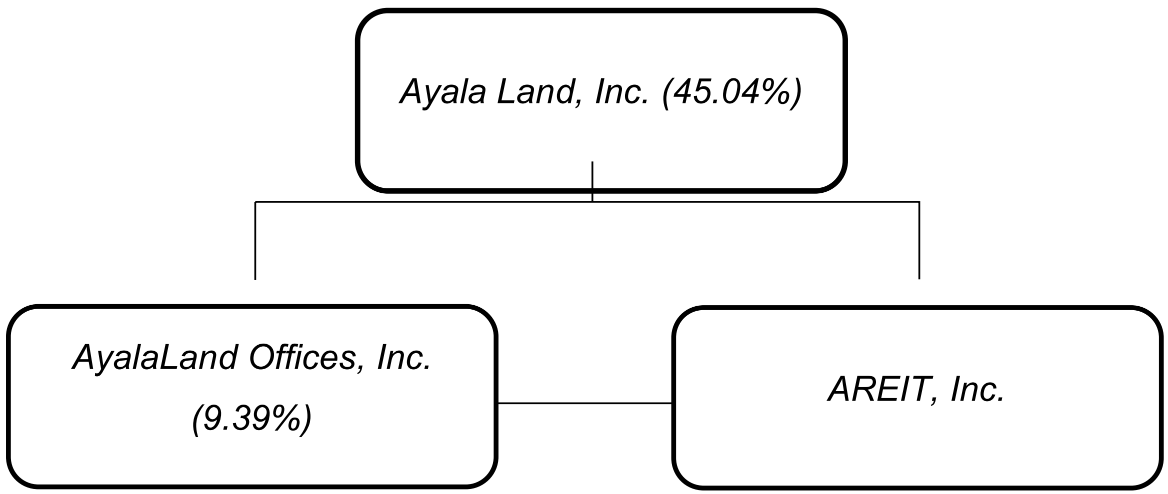
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

DECEMBER 31, 2020



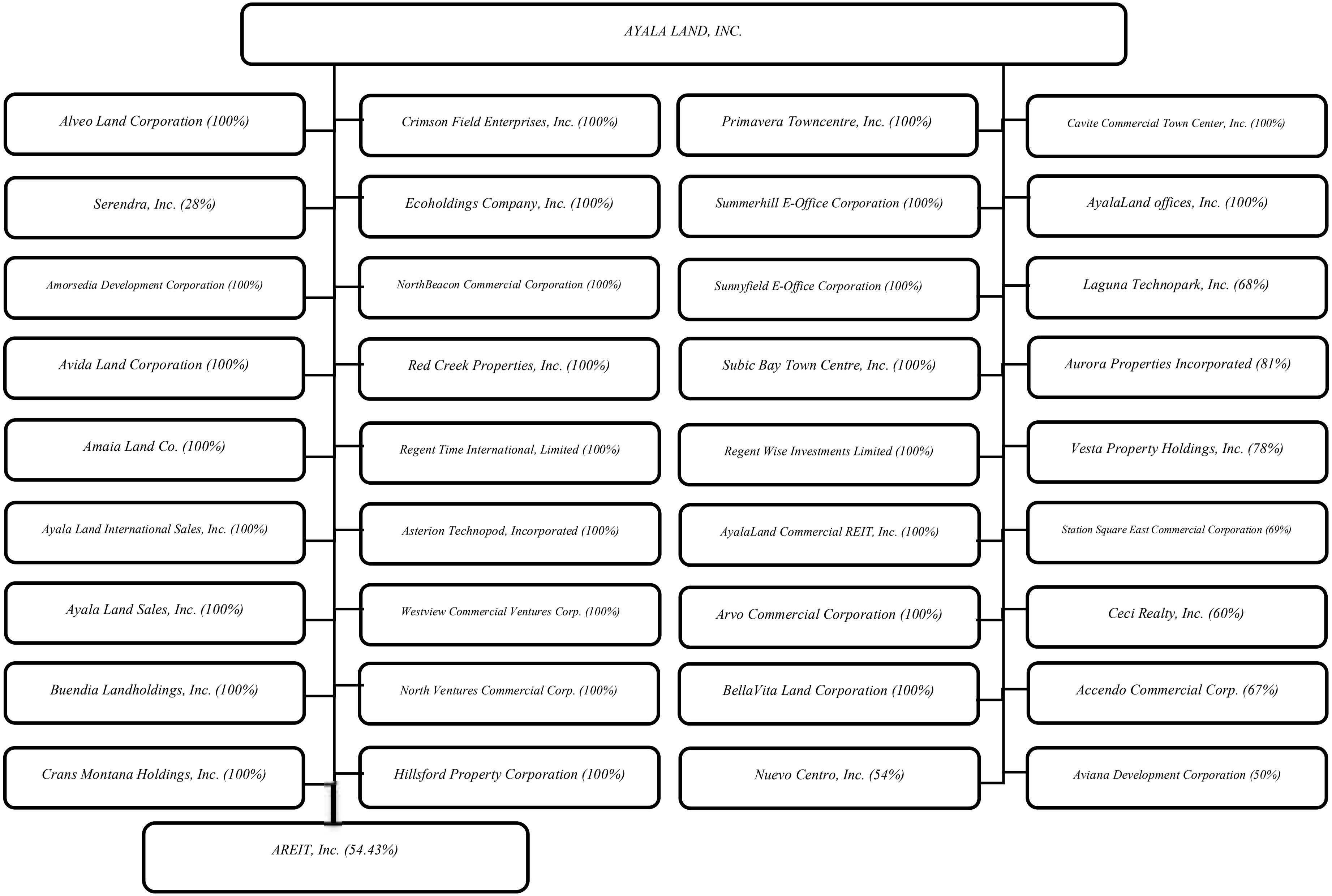
AREIT, INC.

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2020



AYALA LAND, INC.

Cagayan de Oro Gateway Corp. (70%)	Adauge Commercial Corporation (60%)	Alabang Commercial Corporation (50%)	Ayala Property Management Corp. (100%)
Soltea Commercial Corp. (60%)	Southgateway Development Corp. (100%)	Makati Development Corporation (100%)	Ayala Theatres Management, Inc. & S. (100%)
CMPI Holdings, Inc. (60%)	Ayalaland MetroNorth, Inc. (100%)	Ayala Hotels, Inc. (50%)	DirectPower Services, Inc. (100%)
ALI-CII Development Corporation (50%)	North Triangle Depot Commercial Corp. (73%)	AyalaLand Hotels and Resorts Corp. (100%)	Phil. Integrated Energy Solutions, Inc. (100%)
Roxas Land Corporation (50%)	BGWest Properties, Inc. (50%)	Lagdigan Land Corp. (60%)	Five Star Cinema, Inc. (100%)
Ten Knots Phils, Inc. (60%)	Ten Knots Development, Corp. (60%)	Southportal Properties Inc. (65%)	Leisure and Allied Industries Philippines, Inc. (50%)
ALInet.com, Inc. (100%)	First Longfield Investments Limited (100%)	Aprisa Business Process Solutions, Inc. (100%)	AyalaLand Club Management, Inc. (100%)
Varejo Corp. (100%)	Ayala Land Malls, Inc. (100%)	Verde Golf Development Corporation (100%)	Whiteknight Holdings, Inc. (100%)
ALI Commercial Center Inc. (100%)	Cebu Holdings Inc. (71%)	AREIT, Inc. (54.43%)	



AYALA LAND, INC.
Alveo Land Corporation (100%)
Serendra, Inc. (28%)
Amorsedia Development Corporation (100%)
Avida Land Corporation (100%)
Amaia Land Co. (100%)
Ayala Land International Sales, Inc. (100%)
Ayala Land Sales, Inc. (100%)
Buendia Landholdings, Inc. (100%)
Crans Montana Holdings, Inc. (100%)
AREIT, Inc. (54.43%)
Crimson Field Enterprises, Inc. (100%)
Ecoholdings Company, Inc. (100%)
NorthBeacon Commercial Corporation (100%)
Red Creek Properties, Inc. (100%)
Regent Time International, Limited (100%)
Asterion Technopod, Incorporated (100%)
Westview Commercial Ventures Corp. (100%)
North Ventures Commercial Corp. (100%)
Hillsford Property Corporation (100%)
Primavera Towncentre, Inc. (100%)
Summerhill E-Office Corporation (100%)
Sunnyfield E-Office Corporation (100%)
Subic Bay Town Centre, Inc. (100%)
Regent Wise Investments Limited (100%)
AyalaLand Commercial REIT, Inc. (100%)
Arvo Commercial Corporation (100%)
BellaVita Land Corporation (100%)
Nuevo Centro, Inc. (54%)
Cavite Commercial Town Center, Inc. (100%)
AyalaLand offices, Inc. (100%)
Laguna Technopark, Inc. (68%)
Aurora Properties Incorporated (81%)
Vesta Property Holdings, Inc. (78%)
Station Square East Commercial Corporation (69%)
Ceci Realty, Inc. (60%)
Accendo Commercial Corp. (67%)
Aviana Development Corporation (50%)

AREIT, INC.

COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2020

Ratio	Formula	2020	2019	2018
Current ratio	Current assets / Current liabilities	**3.72**	4.35	4.93
Acid test ratio	Quick assets / Current liabilities (Quick assets includes cash)	**0.08**	0.24	0.06
Solvency ratio	EBITDA / Total debt (Total debt includes short-term debt, long-term debt and current portion of long-term debt)	**0.00**	0.00	0.00
Debt-to-equity ratio	Total debt / Stockholders' equity	**0.00**	0.00	0.00
Asset-to-equity ratio	Total assets / Stockholders' equity	**1.19**	1.11	1.10
Interest rate coverage ratio	EBITDA / Interest expense	**23.63**	100.04	45.00
Return on equity	Net income / Average total stockholders' equity	**0.11**	0.12	0.09
Return on assets	Net income after tax / Average total assets	**0.09**	0.11	0.08
Net profit margin	Net income / Total revenue	**0.63**	0.81	0.62

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AREIT, Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein as of June 30, 2021 and December 31, 2020 and for the six months period ended June 30, 2021 and 2020 in accordance with Philippine Accounting Standards 34, *Interim Financial Reporting* (PAS 34), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

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

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has reviewed the financial statements of the Company in accordance with Philippine Standards on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (PSRE 2410)*, and in its report to the stockholders, has expressed its conclusion on the fairness of presentation upon completion of such review.

JOSE EMMANUEL H. JALANDONI
Chairman, Board of Directors

CAROL T. MILLS
President & Chief Executive Officer

MA. TERESA R. FAMY
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this SEP 01 2021, at Makati City, affiants exhibiting to me their competent evidence of identity, to wit:

Name	Competent Evidence of Identity	Date & Place of Issued
Jose Emmanuel H. Jalandoni	Passport No. P1697725A	21 Jan 2017/ DFA NCR South
Carol T. Mill	UMID No. CRN- 0003-9990679-2	
Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration Date 05 Dec 2023

Doc. No. 001 ;
Page No. 52 ;
Book No. 208 ;
Series of 2021.

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No. 8531012, Jan. 4, 2021 Until Dec. 31, 2021 Makati City
Roll No. 45790, IBP Lifetime N. 04897
MCLE No VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

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

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

BOA/PRC Reg. No. 0001,
August 25, 2021, valid until April 15, 2024
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

The Stockholders and Board of Directors
AREIT Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Introduction

We have reviewed the accompanying interim condensed financial statements of AREIT, Inc. (the Company), which comprise the interim statement of financial position as at June 30,2021 and the related interim statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months ended June 30,2021 and 2020, and a summary of significant accounting policies and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting* ("PAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" ("PSRE 2410"). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing (PSAs) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements do not present fairly, in all material respects, in accordance with PAS 34.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534336, January 4, 2021, Makati City

September 1, 2021

AREIT, INC.
INTERIM STATEMENTS OF FINANCIAL POSITION

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated – Note 2)	January 1, 2020 (As restated – Note 2)
ASSETS			
Current Assets			
Cash (Notes 4 and 20)	**₱71,085,834**	₱58,977,547	₱122,180,606
Receivables (Notes 5, 19 and 20)	**528,397,305**	2,373,620,721	1,967,170,494
Other current assets (Notes 6 and 20)	**400,701,376**	281,312,797	157,602,668
Total Current Assets	**1,000,184,515**	2,713,911,065	2,246,953,768
Noncurrent Assets			
Noncurrent portion of receivables (Notes 5 and 20)	**2,614,246,562**	2,194,794,056	2,215,249,105
Investment properties (Note 7)	**34,811,316,966**	29,189,674,985	25,380,629,552
Property and equipment (Note 8)	**231,454**	12,053	20,089
Other noncurrent assets (Note 6)	**1,686,916,465**	1,001,662,147	968,057,313
Total Noncurrent Assets	**39,112,711,447**	32,386,143,241	28,563,956,059
	₱40,112,895,962	₱35,100,054,306	₱30,810,909,827
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Notes 9 and 20)	**₱449,414,607**	₱513,927,478	₱274,477,842
Short-term loans payable (Notes 10 and 20)	**4,422,500,000**	–	–
Interest payable (Note 10)	**1,782,778**	–	–
Current portion of deposits and other liabilities (Notes 11 and 20)	**291,143,698**	129,399,846	166,793,502
Income tax payable	**54,444,350**	54,444,350	71,241,650
Current portion of lease liability (Note 17)	**36,015,135**	34,300,129	–
Construction bonds	**–**	–	11,105,498
Total Current Liabilities	**5,255,300,568**	732,071,803	523,618,492
Noncurrent Liabilities			
Deposits and other liabilities - net of current portion (Notes 11 and 20)	**718,693,919**	722,693,405	600,134,138
Lease liability- net of current portion (Note 17)	**847,028,275**	837,543,814	–
Deferred tax liabilities - net (Note 18)	**–**	–	3,454,687,620
Total Noncurrent Liabilities	**1,565,722,194**	1,560,237,219	4,054,821,758
Total Liabilities	**6,821,022,762**	2,292,309,022	4,578,440,250
Equity (Note 12)			
Paid-up capital	**10,929,864,050**	10,929,864,050	10,451,224,050
Treasury shares	**(673,299,700)**	(673,299,700)	(673,299,700)
Additional paid-in capital	**785,681,404**	785,681,404	–
Retained earnings	**22,249,627,446**	21,765,499,530	16,454,545,227
Total Equity	**33,291,873,200**	32,807,745,284	26,232,469,577
	₱40,112,895,962	₱35,100,054,306	₱30,810,909,827

See accompanying Notes to Interim Condensed Financial Statements.

AREIT, INC.
INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	2021 (Unaudited)		2020 (Unaudited)	
	April 1 to June 30	**January 1 to June 30**	April 1 to June 30 (Restated - Note 2)	January 1 to June 30 (Restated - Note 2)
REVENUE				
Rental income (Notes 7, 13 and 17)	**₱536,276,954**	**₱1,076,037,132**	₱351,670,970	₱707,662,830
Dues (Notes 7 and 14)	**98,488,814**	**199,681,658**	74,855,665	128,199,744
Interest income from finance lease receivables (Notes 14 and 17)	**45,366,761**	**88,978,313**	37,497,499	74,994,998
	680,132,529	**1,364,697,103**	464,024,134	910,857,572
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES (Note 7)	**140,346,361**	**307,873,195**	**243,580,198**	**475,824,696**
COSTS AND EXPENSES				
Direct operating expenses (Notes 7 and 16)	**147,496,274**	**285,947,276**	72,160,257	147,118,862
General and administrative expenses (Note 16)	**11,640,380**	**23,043,932**	580,160	8,331,449
	159,136,654	**308,991,208**	72,740,417	155,450,311
OTHER INCOME (CHARGES) - Net				
Gain under finance lease (Notes 15 and 17)	**–**	**28,309,398**	–	–
Interest income (Notes 4, 15 and 19)	**1,341,314**	**3,926,391**	20,514,159	35,132,696
Interest expense (Notes 10,11 and 16)	**(43,536,355)**	**(80,879,798)**	(4,357,924)	(23,127,030)
Other income (Note 15)	**–**	**–**	44,037	3,609,042
	(42,195,041)	**(48,644,009)**	16,200,272	15,614,708
INCOME BEFORE INCOME TAX	**619,147,195**	**1,314,935,081**	651,064,187	1,246,846,665
PROVISION FOR INCOME TAX (Note 18)	**8,499**	**25,453**	169,267,243	229,529,837
NET INCOME	**619,138,696**	**1,314,909,628**	481,796,944	1,017,316,828
OTHER COMPREHENSIVE INCOME	**–**	**–**	–	–
TOTAL COMPREHENSIVE INCOME	**₱619,138,696**	**₱1,314,909,628**	₱481,796,944	₱1,017,316,828
Basic/Diluted Earnings Per Share (Note 21)	**₱0.60**	**₱1.28**	₱0.49	₱1.04

See accompanying Notes to Interim Condensed Financial Statements.

AREIT, INC.
INTERIM STATEMENTS OF CHANGES IN EQUITY

	Six Months Ended June 30	
	2021 (Unaudited)	2020 (Unaudited) (Restated - Note 2)
PAID-UP CAPITAL (Note 12)		
Common Shares - ₱10 par value		
Balance at beginning and end of period	**₱10,929,864,050**	₱10,451,224,050
ADDITIONAL PAID-IN CAPITAL (Note 12)		
Balance at beginning and end of period	**785,681,404**	–
TREASURY SHARES (Note 12)		
Balance at beginning and end of period	**(673,299,700)**	(673,299,700)
RETAINED EARNINGS (Note 12)		
Balance at beginning of period	**21,765,499,530**	1,022,804,424
Restatement (Note 2)	**–**	15,431,740,803
Balance at beginning of period, as restated	**21,765,499,530**	16,454,545,227
Total comprehensive income/Net income	**1,314,909,628**	1,017,316,828
Cash dividends	**(830,781,712)**	–
Balance at end of period	**22,249,627,446**	17,471,862,055
	₱33,291,873,200	₱27,249,786,405

See accompanying Notes to Interim Condensed Financial Statements.

AREIT, INC.
INTERIM STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2021 (Unaudited)	2020 (Unaudited) (Restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,314,935,081**	₱1,246,846,665
Adjustments for:		
Net fair value change in investment properties	**(307,873,195)**	(475,824,696)
Depreciation and amortization (Notes 8 and 16)	**7,805**	4,018
Interest expense (Notes 10,11 and 16)	**80,879,798**	23,127,030
Gain under finance lease (Notes 15 and 17)	**(28,309,398)**	–
Interest income from finance lease receivables (Notes 15 and 17)	**(88,978,313)**	(74,994,998)
Interest income (Notes 4, 15 and 19)	**(3,926,391)**	(35,132,696)
Operating income before working capital changes	**966,735,387**	684,025,323
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(84,272,638)**	(86,057,250)
Other assets	**(804,642,897)**	7,768,521
Increase (decrease) in:		
Accounts and other payables	**(64,517,662)**	156,087,485
Deposits and other liabilities	**144,993,614**	(29,143,775)
Construction bonds	**–**	1,748,073
Cash generated from operations	**158,295,804**	734,428,377
Interest received	**92,904,704**	110,127,694
Interest paid	**(38,060,272)**	–
Income tax paid	**(25,453)**	(117,086,926)
Net cash flows provided by operating activities	**213,114,783**	727,469,145
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from related parties (Notes 19 and 23)	**1,918,938,726**	(735,487,050)
Payments for additions to investment properties (Note 7)	**(5,694,354,566)**	(11,567,399)
Payments for additions to property and equipment	**(227,205)**	–
Net cash flows used in investing activities	**(3,775,643,045)**	(747,054,449)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans (Note 10)	**9,449,000,000**	–
Payments of short-term loans (Note 10)	**(5,026,500,000)**	–
Payments of dividends (Note 12)	**(830,781,712)**	–
Payments of principal portion of lease liability (Note 17)	**(17,081,739)**	–
Net cash flows provided by financing activities	**3,574,636,549**	–
NET INCREASE (DECREASE) IN CASH	**12,108,287**	(19,585,304)
CASH AT BEGINNING OF PERIOD	**58,977,547**	122,180,606
CASH AT END OF PERIOD (Note 4)	**₱71,085,834**	₱102,595,302

See accompanying Notes to Interim Condensed Financial Statements.

1. **Corporate Information**

AREIT, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2006. The Company was organized primarily to engage in the business which 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, whether freehold or leasehold, within or outside the Philippines with or to such persons and entities and under such terms and conditions as may be permitted by law; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real estate and managed funds; (3) to receive, collect and dispose of the rent, interest, dividends and income rising from its property and investments; and (4) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient or incidental to or implied from the purposes herein mentioned.

The Company is publicly-listed company, 40.75%-owned by Ayala Land Inc. (ALI), 9.39%-owned by AyalaLand Offices, Inc. (ALOI), a wholly owned subsidiary of ALI and the rest by the public. ALI's parent is Ayala Corporation (AC). AC is 47.87%-owned by Mermac, Inc. and the rest by the public. Both ALI and AC are publicly listed companies domiciled and incorporated in the Philippines.

The Company's registered office address and principal place of business is 28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Company's common stock was listed in The Philippine Stock Exchange on August 13, 2020 as a Real Estate Investment Trust (REIT).

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.

The operational and administrative functions of the Company are handled by ALI prior to its listing. Beginning August 13, 2020, AREIT Fund Managers, Inc. (AFMI), and AREIT Property Managers, Inc. (APMI), handled the fund manager functions and property management functions of the Company (see Note 19).

On March 16, 2021 and April 23, 2021, the Company's Board of Directors (BOD) and the Company's stockholders, respectively, approved the increase in authorized capital stock from ₱11.74 billion to ₱29.50 billion, and the issuance of 483,254,375 primary common shares of stock (the "Shares") to ALI, Westview Commercial Venture Corporation (WCVC), and Glensworth Development Corporation (GDI), at an issue price of ₱32.00 per share in exchange for identified properties valued at ₱15.46 billion. On June 8, 2021, the Company, ALI, WCVC, and GDI executed the Deed of Exchange in implementation of the transaction. As of September 1, 2021, the SEC's approval on the increase in authorized capital stock and the subscription of ALI, WCVC, and GDI of shares in exchange for the properties to be transferred to AREIT is still pending (See Note 25).

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying interim condensed financial statements have been prepared on a historical cost basis, except for the investment properties which are measured at fair value.

The accompanying interim condensed financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The accompanying interim condensed financial statements have been prepared under the going concern assumption. The Company believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic.

The interim condensed financial statements have been prepared for inclusion in the offering circular to be prepared by the Company for its planned offering transaction.

Statement of Compliance
The unaudited interim condensed financial statements of the Company have been prepared in compliance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

Restatement
In 2021, the Company voluntarily changed its accounting policy on investment properties from cost model to fair value model which requires restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity. As a result, the comparative December 31, 2020 audited statement of financial position and comparative statement of comprehensive income and statement of changes in equity for six-month period ended June 30, 2020 were restated to reflect the effect of the voluntary change. The impact of the voluntary change is discussed below:

Statement of Financial Position

	Ref	As previously reported December 31, 2019	Adjustment	As restated January 1, 2020
Assets				
Receivables	b	₱4,551,478,656	(₱369,059,057)	₱4,182,419,599
Investment properties	a	6,192,374,393	19,188,255,159	25,380,629,552
Liabilities				
Deferred tax liabilities – net	a, d	67,232,321	3,387,455,299	3,454,687,620
Equity				
Retained earnings	a	1,022,804,424	15,431,740,803	16,454,545,227

	Ref	As previously reported December 31, 2020	Adjustment	As restated December 31, 2020
Assets				
Receivables	b	₱4,984,916,013	(₱416,501,236)	₱4,568,414,777
Investment properties	a	8,303,802,471	20,885,872,514	29,189,674,985
Equity				
Retained earnings	a	1,296,128,252	20,469,371,278	21,765,499,530

Statement of Comprehensive Income

	Ref	January 1 to June 30, 2020 (Unaudited)	Adjustment	As restated January 1 to June 30, 2020 (Unaudited)
Direct operating expenses	c	₱252,316,208	(₱105,197,346)	₱147,118,862
Net fair value gain in investment properties	a	–	475,824,696	475,824,696
Income before income tax		665,824,623	581,022,042	1,246,846,665
Provision for income tax	d	119,506,098	110,023,739	229,529,837
Net income		546,318,525	470,998,303	1,017,316,828

	Ref	April 1 to June 30, 2020 (Unaudited)	Adjustment	As restated April 1 to June 30, 2020 (Unaudited)
Direct operating expenses	c	₱125,902,180	(₱53,741,923)	₱72,160,257
Net fair value gain in investment properties	a	–	243,580,198	243,580,198
Income before income tax		353,742,066	297,322,121	651,064,187
Provision for income tax	d	59,243,503	110,023,740	169,267,243
Net income		294,498,563	187,298,381	481,796,944

Below are the discussions of the adjustments:

a. Under fair value accounting, investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts based on the “income approach” which is based on the buildings’ discounted future cash flows. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. Gains and losses arising from the fair value accounting are adjusted to retained earnings as at December 31, 2020. This resulted to an increase in deferred tax liabilities.

b. In determining the carrying amount under the fair value model, the Company does not double-count assets or liabilities that are recognized separately. The Company derecognized related accrued rental income which was previously presented under “Receivables” which resulted in a decrease in deferred tax liabilities.

c. Depreciation expense under cost model previously recorded as part of “direct operating expenses” was reversed.

d. Deferred taxes are recognized based on the effective income tax rate of 0% and 18% as of December 31, 2020 and January 1, 2020, respectively.

The restatements have no significant impact in the statement of cash flows for the six-month period ended June 30, 2020.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended December 31, 2020, except for the adoption of new accounting policies effective starting January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Company’s financial position or performance unless otherwise indicated.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information 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

- PIC Q&A 2018-12, PFRS 15 – Accounting for Common Usage Service (CUSA) Charges

  The Company opted to adopt PIC Q&A 2018-12, PFRS 15 – Accounting for CUSA in its December 31, 2021 financial statements which concludes that real estate developers are generally acting as principal for CUSA. The impact of the adoption is applied retrospectively.

3. Summary of Significant Accounting Estimates, Judgments and Assumptions

The preparation of the interim condensed financial statements in compliance with PAS 34 requires the Company to make estimates, judgments and assumptions that affect the amounts reported in the interim condensed financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates reflected in the interim condensed financial statements as they become reasonably determinable. Judgments and estimates 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. Among others, the following are the critical judgment and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year.

<u>Judgment</u>
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 unaudited interim condensed financial statements.

Determination of whether the Company is acting as a Principal or an Agent
The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Company determined that it is acting as an agent because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Company, are primarily responsible for the provisioning of the utilities while the Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air conditioning, the Company acts as a principal because it retains the right to direct the service provider of air conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air conditioning charges.

Operating lease commitments – the Company as lessor
The Company has entered into commercial property leases on its investment property portfolios. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated useful life of the assets.

Finance lease commitments – the Company as lessor
The Company has entered into a lease agreement on the portion (composed of 18 floors stacked on top of the headquarters tower) of ANE building and podium of The 30th Commercial Development (The 30^{th}) building. The Company has determined, based on evaluation of the terms and arrangement, particularly on the economic life, that the Company has transferred substantially all the significant risks and rewards of ownership of these properties to the lessee and accounts for the agreements as finance lease.

Evaluation whether the acquired set of assets constitute a business
The Company and ALI executed a deed of absolute sale wherein ALI sells, conveys, transfer, assigns and delivers to the Company a 23 -storey building, inclusive of three (3) basement floors, (The 30^{th} Commercial Development) located at Meralco Ave., Pasig City. The Company elected to apply the optional concentration test to determine whether the acquired building constitute a business. The Company has determined that the acquisition is a purchase of asset as the acquisition passed the concentration test due to: (a) the building is considered a single identifiable asset (b) substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing 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 pattern.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with the impact of current COVID environment and other forward-looking information, as applicable. For instance, if forecast economic conditions (i.e., gross domestic product and inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances including COVID impact and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The carrying value of the Company's trade receivables amounted to ₱3,142.64 million and ₱4,568.41 million as of June 30, 2021 and December 31, 2020, respectively, net of allowance for credit losses amounting ₱14.92 million as of June 30, 2021 and December 31, 2020 (see Note 5).

Evaluating impairment of nonfinancial assets
The Company regularly reviews its nonfinancial asset for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' 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 including the impact of COVID. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Company estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect its nonfinancial assets.

The Company's nonfinancial assets are not impaired as of June 30, 2021 and December 31, 2020. The carrying values of the Company's nonfinancial assets follow:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Input VAT (Note 6)	**₱819,508,813**	₱544,655,980
Deferred input VAT (Note 6)	**1,023,401,632**	614,857,354
Creditable withholding taxes (Note 6)	**147,146,098**	112,971,793
	₱1,990,056,543	₱1,272,485,127

Estimating Realizability of Deferred Tax Assets
Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profit together with future tax planning strategies. However, there is no assurance that the Company will generate sufficient future taxable profit to allow all or part of its deferred tax assets to be utilized.

As of June 30, 2021 and December 31, 2020, the Company did not recognize deferred tax asset on temporary difference of NOLCO amounting to ₱43.49 million as the management believes that it may not be probable that sufficient taxable income will be available against which this can be applied given its tax incentive as a REIT(see Note 18).

Valuation of investment properties held at fair value
The Company makes judgements in respect of the fair value of investment properties. The fair values of these properties are reviewed regularly by management with reference to external independent property valuations and market conditions existing at reporting date, using generally accepted market practices. The assumptions underlying estimated fair values are those relating to the receipt of contractual rents, expected future market rentals, capital expenditure requirements, capitalization rates and discount rates that reflect current market conditions and current or recent property investment prices. The property valuations have been prepared based on the information that is available.

Investment properties amounted to ₱34,811.32 million and ₱29,189.67 million as at June 30, 2021, December 31, 2020, respectively. Net fair value change in investment properties recognized in profit or loss amounted to ₱307.87 million and ₱475.82 million for the six months ended June 30, 2021 and 2020, respectively (see Note 7).

4. Cash

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	**₱22,500**	₱22,500
Cash in banks	**71,063,334**	58,955,047
	₱71,085,834	₱58,977,547

Cash in banks earn interest at the respective bank deposit rates which ranges from 0.35% to 0.45% in 2021 and 2020. Interest income earned from cash in banks amounted to ₱0.04 million and ₱0.08 million for the three months ended June 30, 2021 and 2020, respectively, and ₱0.13 million and ₱0.22 million for the six months ended June 30, 2021 and 2020, respectively (see Note 15).

5. Receivables

This account consists of:

	2021	2020	
	June 30 (Unaudited)	December 31 (As restated - Note 2)	January 1 (As restated - Note 2)
Finance lease receivable (Notes 17 and 19)	**₱2,697,346,683**	₱2,242,581,055	₱2,267,931,937
Due from related parties (Note 19)	**323,605,086**	2,242,543,812	1,803,889,622
Trade receivables - billed	**136,075,851**	97,316,019	117,888,650
Other receivables	**540,006**	897,650	374,307
	3,157,567,626	4,583,338,536	4,190,084,516
Less allowance for credit losses	**14,923,759**	14,923,759	7,664,917
	3,142,643,867	4,568,414,777	4,182,419,599
Less noncurrent portion of finance lease receivable	**2,614,246,562**	2,194,794,056	2,215,249,105
	₱528,397,305	₱2,373,620,721	₱1,967,170,494

Billed receivables arise mainly from tenants for rentals of office and retail spaces and recovery charges for common area and utilities. These are noninterest-bearing and are generally collectible on 30-day term.

Other receivables pertain to noninterest-bearing advances to employees which are subject to liquidation upon completion of the business transaction.

The movements in allowance for credit losses follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period	**₱14,923,759**	₱7,664,917
Provision (Notes 16 and 20)	**–**	7,258,842
Balance at end of period	**₱14,923,759**	₱14,923,759

6. Other Assets

Other Current Assets
This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Input VAT	**₱160,681,142**	₱158,306,544
Creditable withholding taxes	**147,146,098**	112,971,793
Prepaid expenses	**82,839,676**	–
Recoverable deposits	**10,034,460**	10,034,460
	₱400,701,376	₱281,312,797

Input VAT is applied against output VAT within 12 months. This includes input VAT claimed for refund amounting to ₱6.39 million which is awaiting approval from the BIR.

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related lease receivable and are utilized as tax credits against income tax due.

Prepaid taxes pertain to payment of real property taxes which is amortized over a year.

Recoverable deposits pertain to various utility deposits.

Other Noncurrent Assets
This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Deferred input VAT	**₱1,023,401,632**	₱614,857,354
Input VAT	**658,827,671**	386,349,436
Advances to contractors	**4,687,162**	455,357
	₱1,686,916,465	₱1,001,662,147

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding ₱1.00 million per transaction which is available for offset against the Company's future output VAT.

The remaining balance of input VAT and deferred input VAT are recoverable in future periods.

Advances to contractors are recouped upon every progress billing payment depending on the percentage of accomplishment or delivery.

7. Investment Properties

	2021	2020	
	June 30 (Unaudited)	December 31 (As restated – Note 2)	January 1 (As restated – Note 2)
Beginning of the period	**₱29,189,674,985**	₱25,380,629,552	₱25,380,629,552
Acquisitions	**5,694,354,566**	2,336,957,658	–
Property under finance lease	**(389,971,485)**	–	–
Gain on fair value adjustment	**317,258,900**	1,472,087,775	–
End of the period	**₱34,811,316,966**	₱29,189,674,985	₱25,380,629,552

On January 5, 2021, the Company entered into a Deed of Absolute Sale with Technopark Land, Inc (TLI), a subsidiary of Ayala Corporation (AC), to acquire 98,179 square meters (sqm) of land for ₱987.98 million, exclusive of VAT. Currently, the acquired parcels of land are being leased out to Integrated Micro-Electronics, Inc. (IMI) for a period of 8 years starting from January 1, 2020 to December 31, 2027. The subject properties are the four (4) parcels of land located at Barrio Biñan, Laguna.

On January 15, 2021, the Company entered into a Deed of Sale with ALI for the acquisition of The 30th for ₱4.56 billion (VAT exclusive). ALI has an existing land lease contract with MBS Development Corporation (MBS) which will expire on September 1, 2056 and such contract of lease was assigned to the Company as part of the sale of the building. Simultaneous to the acquisition, the Company and North Eastern Commercial Corp. (NECC), a wholly-owned subsidiary of ALI under the Ayala Malls brand, entered into a lease agreement for the retail podium of The 30th that is payable on monthly guaranteed lease for a period of 36 years. The retail podium is operated by NECC. NECC will pay a monthly guaranteed building lease to the Company for a period of 36 years, in line with the land lease term of the property. The Company derecognized the portion of the property under finance lease.

As of June 30, 2021, the investment properties are composed of three (3) stand-alone buildings, two (2) mixed-used properties, and four (4) land parcels. The stand-alone buildings are Solaris One and McKinley Exchange located in Makati City and Teleperformance Cebu located at Cebu I.T. Park, Cebu City. The mixed-used properties are Ayala North Exchange and The 30th Commercial Development. Ayala North Exchange is located along Ayala Avenue, Makati and composed of two office towers, a retail podium and serviced apartments; while The 30th Commercial Development features a 19-storey office building complemented by a four storey retail podium. The four land parcels in Laguna Technopark are being leased to IMI.

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. The fair value of the investment properties was determined by independent and professionally qualified appraiser on June 30, 2021.

The fair value of the Company's investment properties was determined using the Income Approach which is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value. The fair value is sensitive to the unobservable inputs of lease income growth rate and discount rate.

Fair value of investment properties as of December 31, 2020 was updated from the June 17, 2020 appraisal report to reflect changes in the assumptions as of December 31, 2020.

The following table provides the fair value hierarchy of the Company's investment properties:

June 30, 2021

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	June 30, 2021	₱34,811,316,966	₱–	₱–	₱34,811,316,966

December 31, 2020

	Date of valuation	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	December 31, 2020	₱29,189,674,985	₱–	₱–	₱29,189,674,985

The components of the net fair value change in investment properties are as follows:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Increase in fair value of investment properties	**₱317,258,900**	₱500,993,548
Straight-line adjustment	**(9,385,705)**	(18,119,310)
Lease commissions	**–**	(7,049,542)
	₱307,873,195	₱475,824,696

Rental income and dues earned from investment properties and direct operating expenses incurred are as follows:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Rental income (Note 13)	**₱1,076,037,132**	₱707,662,830
Dues (Note 14)	**199,681,658**	128,199,744
Direct operating expenses (Note 16)	**285,947,276**	147,118,862

There are no items of investment properties that are pledged as security to liabilities as of June 30, 2021 and December 31, 2020.

There are no contractual purchase commitments for investment properties as of June 30, 2021 and December 31, 2020.

8. **Property and Equipment**

This account pertains to electronic data processing equipment. The rollforward analyses follow:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost		
Balance at beginning of period	**₱1,888,872**	₱1,888,872
Additions	**227,206**	–
Balance at the ending of the period	**2,116,078**	1,888,872
Accumulated Depreciation		
Balance at beginning of period	**1,876,819**	1,868,783
Depreciation (Note 16)	**7,805**	8,036
Balance at end of period	**1,884,624**	1,876,819
Net Book Value	**₱231,454**	₱12,053

There are no items of property and equipment that are pledged as security to liabilities as of June 30, 2021 and December 31, 2020.

There are no contractual purchase commitments for property and equipment as of June 30, 2021 and December 31, 2020.

9. Accounts and Other Payables

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Due to related parties (Note 19)	**₱298,963,900**	₱405,111,433
Accrued expenses		
Repairs and maintenance	**21,344,597**	14,331,615
Light and water	**24,027,979**	10,770,650
Rent	**9,397,728**	12,654,660
Others	**39,748,685**	18,838,974
Taxes payable	**33,092,424**	24,485,058
Accounts payable	**21,575,903**	26,949,888
Retention payable	**1,263,391**	785,200
	₱449,414,607	₱513,927,478

Accrued expenses others consist mainly of accruals for professional fees, postal and communication, supplies, transportation and travel, security, insurance and representation. These are noninterest-bearing.

Taxes payable consist of amounts payable to taxing authority pertaining to expanded withholding taxes.

Accounts payable arises from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on 15- to 60-day terms.

Retention payable pertains to the portion of contractor's progress billings withheld by the Company which will be released after the satisfactory completion of the contractor's work. The retention payable serves as a security from the contractor should there be defects in the project. These are noninterest-bearing and are normally settled upon completion of the relevant contract.

10. Short-term Loans and Interest Payable

The Company obtained short-term loans from various local banks during the period.

The outstanding short-term loans payable amounting to ₱4,422.50 million as of June 30, 2021 pertains to unsecured and interest bearing 30-day loans with average interest rate of 2%.

Interest expense recognized in the statement of comprehensive income for the six months ended June 30, 2021 amounted to ₱39.85 million (see Note 16). The remaining interest payable amounted to ₱1.78 million as of June 30, 2021.

11. **Deposits and Other Liabilities**

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Advance rentals	**₱468,372,643**	₱406,952,127
Security deposits (Note 20)	**482,579,247**	383,208,715
Deferred credits	**58,885,727**	61,932,409
	1,009,837,617	852,093,251
Less current portion	**291,143,698**	129,399,846
	₱718,693,919	₱722,693,405

The current portion of these accounts follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Security deposits (Note 20)	**₱121,901,337**	₱83,737,432
Advance rentals	**167,527,203**	45,536,484
Deferred credits	**1,715,158**	125,930
	₱291,143,698	₱129,399,846

Advance rentals
Advance rentals from lessees represent cash received in advance representing three (3) months' rent which will be applied to the last three (3) months' rentals on the related lease contracts.

Security deposits
Security deposits represent deposits from lessees to secure the faithful compliance by lessees of their obligation under the lease contract. These are equivalent to three (3) months' rent and will be refunded to the lessee at the end of the lease term.

The rollforward of security deposits follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Gross Amount		
Balance at beginning of period	**₱460,762,969**	₱394,737,664
Additions	**92,542,783**	66,025,305
Balance at end of period	**553,305,752**	460,762,969
Unamortized Discount		
Balance at beginning of period	**77,554,254**	80,290,248
Additions	**5,923,002**	11,192,260
Accretion (Note 16)	**(12,750,751)**	(13,928,254)
Balance at end of period	**70,726,505**	77,554,254
Net Amount	**₱482,579,247**	₱383,208,715

Deferred credits
Deferred credits pertain to the difference between the nominal value of the deposits and its fair value. This is initially measured at fair value and subsequently amortized using the straight-line method.

The rollforward of deferred credits follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period	**₱61,932,409**	₱66,465,881
Additions	**5,923,002**	11,192,260
Amortization (Note 13)	**(8,969,684)**	(15,725,732)
Balance at end of period	**58,885,727**	61,932,409
Less current portion	**1,715,158**	125,930
	₱57,170,569	₱61,806,479

12. **Equity**

Capital stock
The details of the Company's capital stock as of June 30, 2021 and December 31, 2020 follow:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Authorized	**1,174,000,000**	1,174,000,000
Par value per share	**₱10.00**	₱10.00
Issued and outstanding shares	**1,025,656,435**	1,025,656,435

The changes in the number of shares follow:

	June 30, 2021 (Unaudited) Common	December 31, 2020 (Audited) Common
Authorized number of shares		
Balance at beginning and end of period at ₱1 par value	**1,174,000,000**	1,174,000,000
Issued shares		
Balance at beginning and end of period	**1,092,986,405**	1,045,122,405
Issuance of new shares	**–**	47,864,000
Balance at end of period	**1,092,986,405**	1,092,986,405
Treasury shares		
Balance at beginning and end of period	**(67,329,970)**	(67,329,970)
Outstanding	**1,025,656,435**	1,025,656,435

Retained Earnings
On February 24, 2021, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2020 of ₱0.39 per outstanding common share to stockholders on record date as of March 15, 2021 amounting to ₱400.00 million. These are paid on March 25, 2021.

On May 26, 2021, the Company's BOD approved the declaration of cash dividends for the first quarter of 2021, of ₱0.42 per outstanding common share to stockholders on record date as of June 11, 2021 amounting to ₱430.78 million. These are paid on June 25, 2021.

Capital Management
The primary objectives of the Company's capital management policies are to afford the financial flexibility to support its business initiatives while providing a sufficient cushion to absorb cyclical industry risks and to maximize stakeholder value. The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions. The Company considers its total equity as capital.

The Company's sources of capital as of June 30, 2021 and December 31, 2020 follow:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Paid-up capital	**₱10,929,864,050**	₱10,929,864,050
Additional paid-in capital	**785,681,404**	785,681,404
Treasury shares	**(673,299,700)**	(673,299,700)
Retained earnings	**22,249,627,446**	21,765,499,530
	₱33,291,873,200	₱32,807,745,284

No changes were made in the Company's capital management objectives, policies or processes in 2021 and 2020.

13. **Rental Income**

This account consists of:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Office and retail (Note 17)	**₱1,018,870,913**	₱672,290,422
Parking fees (Note 17)	**48,196,535**	35,372,408
Amortization of deferred credits (Note 11)	**8,969,684**	–
	₱1,076,037,132	₱707,662,830

Rental income from office, retail and parking includes income from straight-line method of recognizing rental income amounting to ₱9.39 million and ₱18.12 million for the six months ended June 30, 2021 and 2020, respectively.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions. Rent discounts and concessions given vary for merchants that are (1) forced to close and those that are still (2) operational. Rental fees and common charges of merchants who were forced to close during the quarantine period were waived a certain percentage in their common area usage expenses.

14. **Dues and Interest Income from Finance Lease Receivables**

Dues pertains to net recoveries from tenants for the usage of common areas and utilities. This account consists of:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Dues	**₱364,623,160**	₱288,442,569
Direct operating expenses		
Utilities	**(107,058,388)**	(101,534,783)
Outside services	**(26,275,375)**	(27,646,817)
Repair maintenance	**(29,602,276)**	(26,836,225)
Miscellaneous	**(2,005,463)**	(4,225,000)
	₱199,681,658	₱128,199,744

Set out below is the disaggregation of the Company's revenue from non-lease component:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Dues:		
Common area charges	**₱164,192,951**	₱92,788,090
Utilities dues	**35,488,707**	35,411,654
	₱199,681,658	₱128,199,744

Interest income from finance lease receivables
This account pertains to accretion of finance lease receivable amounting to ₱88.98 million and ₱74.99 million for the six months ended June 30, 2021 and 2020, respectively.

15. Interest and Other Income

Interest Income
This account consists of:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Interest income from intercompany loans (Note 19)	**₱3,799,127**	₱34,918,720
Interest income from cash in banks (Note 4)	**127,264**	213,976
	₱3,926,391	₱35,132,696

Gain under Finance Lease
Gain under finance lease pertains to the difference between the fair value of finance lease receivable and the carrying amount of the portion of investment property under finance lease (see Notes 7 and 17).

Other Income
This account pertains to income earned from interest and penalties arising from late payments amounting to ₱3.61 million for six months ended June 30, 2020 (nil in June 30, 2021).

16. Cost and Expenses and Other Charges

Direct Operating Expenses
This account consists of:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Management fees (Note 19)	**₱116,559,146**	₱18,635,878
Taxes and licenses	**86,291,811**	67,765,336
Land lease (Notes 17 and 19)	**75,010,872**	53,899,375
Insurance	**4,708,144**	4,250,634
Others	**3,377,303**	2,567,639
	₱285,947,276	₱147,118,862

General and Administrative Expenses
This account consists of:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Taxes and licenses	**₱15,701,944**	₱5,467
System costs (Note 19)	**1,443,065**	155,250
Professional fees	**1,129,541**	863,071
Depreciation (Note 8)	**7,805**	4,018
Provision for doubtful accounts (Note 5)	**–**	7,258,842
Others	**4,761,577**	44,801
	₱23,043,932	₱8,331,449

Interest Expense
This account consists of:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Interest expense from loans (Note 10)	**₱39,847,841**	₱–
Interest expense on lease liabilities (Note 17)	**28,281,206**	23,127,030
Accretion of security deposit (Note 11)	**12,750,751**	–
	₱80,879,798	₱23,127,030

17. Agreements and Lease Commitments

The Company as lessor - operating lease
The Company entered into lease agreements with third parties covering its investment properties for a period of two (2) to more than five (5) years. These noncancellable leases are subject to 5% to 10% annual escalation rate.

The future minimum rentals receivable under noncancellable operating leases are as follows:

	June 30, 2021	December 31, 2020
Within one year	**₱1,981,451,565**	₱1,580,530,864
After one year but not more than five years	**5,492,618,369**	5,332,899,560
More than five years	**45,330,741**	492,474,823
	₱7,519,400,675	₱7,405,905,247

Total rental income for the six months ended June 30, 2021 and 2020 amounted to ₱1,076.04 million and ₱707.66 million, respectively. Rental income arising from variable rent based on gross sales for the six months ended June 30, 2021 and 2020 amounted to ₱23.15 million and ₱31.27 million, respectively.

For the six months ended June 30, 2021, the Company granted rent concessions to retail tenants which were affected by the community quarantine imposed by the government amounting to ₱25.40 million. These rent concessions did not qualify as a lease modification, thus, were accounted for as a variable lease payment and reported as reduction of lease income in 2021.

The Company as lessor - finance lease
In 2021, the Company entered into a building lease agreement with NECC for a term of 36 years. The agreement pertains to the lease of a retail podium of The30th. The lease agreement states that the Company shall deliver to NECC the physical possession of the leased premise on January 1, 2021. The lease generally provides for rates based on higher between the a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years.

In 2019, the Company entered into a building lease agreement with Makati North Hotel Ventures, Inc. (MNHVI) for a term of 39 years (see Note 19). The agreement pertains to the lease of a portion, composed of 18 floors stacked on top of the headquarters tower, of ANE building. The lease agreement states that the Company shall deliver to MNHVI the physical possession of the leased premise on July 8, 2019. The lease generally provides for (a) quarterly rent based on a fixed rate for the first five (5) years and (b) fixed rate plus a certain percentage of total revenue of the Lessee for the remaining period of the lease term.

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

	June 30, 2021	December 31, 2020
Within one year	**₱261,371,957**	₱189,728,000
More than one year and not more than five years	**766,838,676**	650,496,000
More than 5 years	**6,365,111,783**	5,390,029,750
Total undiscounted lease payments and unguaranteed residual value	**7,393,322,416**	6,230,253,750
Less: unearned finance income	**4,695,975,733**	3,987,672,695
Net investment in the lease	**₱2,697,346,683**	₱2,242,581,055

The net investment in the lease with MNHVI and NECC consists of the present value of minimum lease payments amounting to ₱2,221.09 million and ₱418.28 million, respectively. The Company derecognized the portion of investment property under finance lease amounting to ₱389.97 million (see Note 7) which resulted to a gain under finance lease amounting to ₱28.31 million. The Company also recognized interest income earned amounting to ₱88.98 million and ₱74.99 million for the six months ended June 30, 2021 and 2020, respectively (see Note 14).

The Company remains to be the legal owner of the portion of ANE building and retail podium of The 30th under finance lease.

The Company as lessee

On January 31, 2020, the Company entered into a contract of lease with ALI for the lease of land and building commencing on February 1, 2020 for a period of 34 years. The agreement pertains to land and building lease of MECC. The rent is payable at a fixed monthly rate, subject to 5% annual escalation rate.

On October 5, 2018, ALI assigned to the Company the land lease agreement with HLC with a lease term of 40 years. The agreement pertains to land lease of ANE properties. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

On January 1, 2016, the Company entered into a land lease agreement with ALI for a term of 50 years (see Note 19). The agreement pertains to land lease of Solaris building. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income. On April 26, 2019, the lease agreement was amended reducing the lease term from 50 years to 33 years.

The rollforward analysis of lease liability follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning the period	**₱871,843,943**	₱–
Addition	**–**	853,150,009
Interest expense (Note 16)	**28,281,206**	51,490,870
Payment	**(17,081,739)**	(32,796,936)
Balance at the end of the period	**883,043,410**	871,843,943
Current lease liability	**36,015,135**	34,300,129
Noncurrent lease liabilities	**₱847,028,275**	₱837,543,814

The following are the amounts recognized in the statements of comprehensive income from the above lease agreements as lessee:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Rent expense - variable lease payments (Note 16)	**₱75,010,872**	₱53,899,375
Accretion of interest expense (Note 16)	**28,281,206**	23,127,030
Total amounts recognized in the statements of income	**₱103,292,078**	₱77,026,405

Lease liability recognized during the period pertains to lease agreement for which lease payments are fixed. Prior to December 31, 2019, all lease contracts where the Company is a lessee have lease payment terms that is purely variable linked to future performance or use of the underlying asset, therefore no right-of-use asset is recognized. Due to change to fair value accounting, the right-of-use asset is included as part of investment properties.

On October 1, 2020, APRC assigned to the Company its 31-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Teleperformance Cebu building is located. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

On January 1, 2021, ALI assigned to the Company the land lease agreement with MBS with a lease term of 35 years. The agreement pertains to land lease of The 30th. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

The Company's contracts of lease for the land spaces that it occupies include dismantling provision clause at the option of the lessor. The Company did not recognize any asset retirement obligation as of the reporting date as the current assessment of the amount of outflow in dismantling the asset in the future is immaterial.

18. Income Tax

Provision for (benefit from) income tax consists of:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Current	**₱–**	₱123,571,359
Deferred	**–**	105,915,266
Final	**25,453**	43,212
	₱25,453	₱229,529,837

The current provision for income tax represents RCIT for the six months ended June 30, 2021 and 2020. The Company recognized provision for income tax from January 1 to August 13, 2020 amounting to ₱173.74 million prior to its listing date on August 13, 2020. The Company started to avail of its tax incentive as a REIT after its listing.

On June 30, 2021 and 2020 the Company availed of the optional standard deduction (OSD).

As of June 30, 2021 and December 31, 2020, deferred tax assets and liabilities are recognized based on the effective income tax rate of 0% under REIT law.

In 2021, the "Net fair value change in investment properties" recognized in the interim statements of comprehensive income resulted in both future taxable and future deductible temporary differences by the same amount. The deductible temporary difference is deductible in the future once the amount is distributed as dividend in accordance with the REIT law and this is expected to reverse on the same period as the future taxable income is recognized.

The Company did not recognize deferred tax assets on temporary difference of NOLCO amounting to nil and ₱43.49 million as of June 30, 2021 and December 31, 2020, respectively.

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

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2021	₱205,252,184	₱−	₱205,252,184	2026
2020	481,283,017	−	481,283,017	2025
	₱686,535,201	₱−	₱686,535,201	

The reconciliation between the statutory income tax rate to the effective income tax rate shown in the statements of comprehensive income follows:

	2021 (Unaudited)		2020 (Unaudited)	
	April to June	**January to June**	April to June	January to June
Statutory income tax rate	**25.0%**	**25.0%**	30.0%	30.0%
Add (deduct) tax effect of:				
Nondeductible expenses	**0.32**	**0.32**	3.5%	3.5%
Nontaxable income	**(0.36)**	**(0.36)**	(0.56)	(0.56)
Deductible expenses due to option to use OSD	**(9.47)**	**(9.47)**	(13.68)	(13.68)
Movement in deferred taxes	**3.26**	**3.26**	−	−
Unrecognized deferred taxes	**1.08**	**1.08**	−	−
Deductible dividends	**(19.83)**	**(19.83)**	−	−
Effective income tax rate	**0%**	**0%**	19.31%	19.31%

19. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

Terms and Conditions of Transactions with Related Parties
The Company, in its regular conduct of business, has entered into transactions with related parties consisting of advances and development, management, marketing and leasing and administrative service agreements. These are based on terms agreed by the parties.

Outstanding balances at yearend are unsecured, noninterest-bearing and settlement occurs in cash, unless otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables.

Material Related Party Transactions ("RPT")
This refers to any related party transaction, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Company's total assets. All material related party transactions are subject to the review by the RPT Committee.

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 related party transactions policy.

The following tables provide the total balances and amount of transactions that have been entered into with related parties for the relevant financial year:

	June 30, 2021 (Unaudited)			
Category	**Volume**	**Outstanding Balance**	**Terms**	**Conditions**
Finance lease receivable				
Makati North Hotel Ventures, Inc. (k)	**₱2,276,996,199**	**₱2,276,996,199**	**Noninterest-bearing;**	**Unsecured;**
North Eastern Commercial Corp. (o)	**420,350,484**	**420,350,484**	**Payable quarterly**	**No impairment**
Due from related parties				
Parent Company				
Ayala Land, Inc. (a and b)	**529,984,926**	**175,002,906**	**Interest-bearing and noninterest-bearing; Due and demandable**	**Unsecured; No impairment**
Affiliates*				
ALO Prime Realty Corporations	**53,669,871**	**53,669,871**	**Noninterest-bearing; On demand**	**Unsecured; No impairment**
Bay City Commercial Ventures Corp. (b)	**7,983,176**	**14,556,284**	**Interest-bearing; On demand**	**Unsecured; No impairment**
North Eastern Commercial Corp (o)	**13,258,076**	**13,258,076**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Arvo Commercial Corporation (b)	**116,453,869**	**8,768,252**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Makati North Hotel Ventures, Inc. (k)	**8,605,250**	**8,605,250**	**Noninterest-bearing; On demand**	**Unsecured; No impairment**
First Gateway Real Estate Corp. (j)	**2,091,886**	**8,432,222**	**Noninterest-bearing; On demand**	**Unsecured; No impairment**
Integrated Microelectronics Inc	**6,185,277**	**6,185,277**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Ayalaland Logistics Holdings Corp (b)	**39,220,982**	**5,687,206**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Capitol Central Commercial Ventures Corp. (b)	**53,040,056**	**4,363,618**	**Interest-bearing; On demand**	**Unsecured; No impairment**
HLC Development Corporation (b and c)	**20,625,429**	**3,768,013**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Alveo Land Corp. (g)	**1,873,562**	**2,788,225**	**Noninterest-bearing; On demand**	**Unsecured; No impairment**
Airswift Transport, Inc. (b)	**2,550,667**	**2,550,667**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Ayalaland Malls Synergies, Inc. (b)	**1,945,589**	**2,464,491**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Arca South Commercial Ventures Corp. (b)	**116,678,221**	**2,250,258**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Amaia Land Corp. (b)	**–**	**2,032,601**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Westview Commercial Ventures Corp. (b)	**–**	**1,816,394**	**Interest-bearing; On demand**	**Unsecured; No impairment**
ALI Triangle Hotel Ventures, Inc. (b)	**172,533**	**1,795,182**	**Interest-bearing; On demand**	**Unsecured; No impairment**
Crans Montana Property Holdings Corporation (b)	**67,002,587**	**1,490,983**	**Interest-bearing; On demand**	**Unsecured; No impairment**
ALI Makati Hotel Property, Inc. (b)	**76,648,262**	**1,004,074**	**Interest-bearing; On demand**	**Unsecured; No impairment**

(Forward)

Category	June 30, 2021 (Unaudited) Volume	Outstanding Balance	Terms	Conditions
Ayala Property Management Corporation (b)	₱197,201	₱758,376	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	24,950,003	657,962	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation (b)	25,841,449	537,083	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	21,452,637	448,078	Interest-bearing; On demand	Unsecured; No impairment
Laguna Technopark Inc. (b)	52,243,886	397,970	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	–	119,225	Interest-bearing; On demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc. (b)	4,291,375	61,579	Interest-bearing; On demand	Unsecured; No impairment
ALI Commercial Center, Inc. (b)	14,970,239	51,916	Interest-bearing; On demand	Unsecured; No impairment
BellaVita Land Corp. (b)	–	39,830	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	–	38,382	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc. (b)	390,085,003	3,700	Interest-bearing; On demand	Unsecured; No impairment
North Triangle Depot Commercial Corp (b). (b)	985	985	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	–	150	Interest-bearing; On demand	Unsecured; No impairment
		₱323,605,086		

Entities under common control

Category	June 30, 2021 (Unaudited) Volume	Outstanding Balance	Terms	Conditions
Due to related parties				
Parent Company				
Ayala Land, Inc. (a)	₱17,081,739	₱17,081,739	Noninterest-bearing; Due and demandable	Unsecured
Affiliates*				
AREIT Fund Managers, Inc. (m)	114,683,617	152,056,741	Noninterest-bearing; On demand	Unsecured
AREIT Property Managers, Inc. (n)	76,609,020	76,609,020	Noninterest-bearing; On demand	Unsecured
HLC Development Corporation €	8,147,778	21,920,988	Noninterest-bearing; On demand	Unsecured
Direct Power Services, Inc. (d)	16,147,290	12,830,226	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	7,416,455	7,416,455	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	–	4,157,942	Noninterest-bearing; On demand	Unsecured
North Eastern Commercial Corp. (o)	3,783,479	3,783,479	Noninterest-bearing; On demand	Unsecured
Makati Development Cor€(e)	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Others**	1,087,851	1,087,851	Interest-bearing and noninterest-bearing; On demand	Unsecured
		₱298,963,900		

Entities under common control
***Entities below* ₱2.00 million

Category	December 31, 2020 (Audited) Volume	Outstanding Balance	Terms	Conditions
Finance lease receivable				
Makati North Hotel Ventures, Inc. (k)	₱2,267,931,937	₱2,242,581,055	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
Due from related parties				
Parent Company				
Ayala Land, Inc. (a and b)	213,486,694	704,987,832	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Affiliates*				
Central Block Developers, Inc. (b)	274,478,804	390,088,703	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	125,222,121	205,762,016	Interest-bearing; On demand	Unsecured; No impairment

(Forward)

Category	December 31, 2020 (Audited) Volume	Outstanding Balance	Terms	Conditions
Ten Knots Philippines, Inc. (b)	₱121,237,212	₱121,237,212	Interest-bearing; On demand	Unsecured; No impairment
Arca South Commercial Ventures Corp. (b)	118,928,479	118,928,479	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	68,493,570	117,088,223	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	57,403,674	88,744,234	Interest-bearing; On demand	Unsecured; No impairment
ALI Makati Hotel Property, Inc. (b)	77,652,336	77,652,336	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	21,900,715	59,689,408	Interest-bearing; On demand	Unsecured; No impairment
Laguna Technopark Inc. (b)	52,641,856	52,641,856	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	44,908,188	50,596,462	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc. (b)	1,622,649	42,812,127	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation (b)	26,378,532	26,479,453	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	25,607,965	25,607,965	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	24,393,442	24,393,442	Interest-bearing; On demand	Unsecured; No impairment
Bay City Commercial Ventures Corp. (b)	22,539,460	22,539,460	Interest-bearing; On demand	Unsecured; No impairment
Leisure and Allied Industries Phils. Inc. (b)	20,050,000	20,050,000	Interest-bearing; On demand	Unsecured; No impairment
Sicogon Island Tourism Estate Corp. (b)	18,027,500	18,027,500	Interest-bearing; On demand	Unsecured; No impairment
ALI Commercial Center, Inc. (b)	15,022,155	15,022,155	Interest-bearing; On demand	Unsecured; No impairment
Nuevocentro, Inc. (b)	11,072,450	11,072,450	Interest-bearing; On demand	Unsecured; No impairment
Hillsford Property Corporation (b)	10,009,511	10,009,511	Interest-bearing; On demand	Unsecured; No impairment
Makati North Hotel Ventures, Inc. (k)	8,605,250	8,605,250	Noninterest-bearing; On demand	Unsecured; No impairment
First Gateway Real Estate Corp. (j)	10,524,108	8,432,222	Noninterest-bearing; On demand	Unsecured; No impairment
Sicogon Town Hotel, Inc. (b)	8,014,056	8,014,056	Interest-bearing; On demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc. (b)	4,352,954	4,352,954	Interest-bearing; On demand	Unsecured; No impairment
Airswift Transport, Inc. (b)	2,550,667	2,550,667	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Malls Synergies, Inc. (b)	518,902	2,507,137	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	2,030,502	2,030,502	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	1,816,394	1,816,394	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	561,175	561,175	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	119,225	119,225	Interest-bearing; On demand	Unsecured; No impairment
BellaVita Land Corp. (b)	39,830	39,830	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	38,382	38,382	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (g)	4,661,787	33,114	Noninterest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	11,930	11,930	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	150	150	Interest-bearing; On demand	Unsecured; No impairment
		₱2,242,543,812		

**Entities under common control*

Category	Volume	Outstanding Balance	Terms	Conditions
	December 31, 2020 (Audited)			
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	₱86,040,072	₱306,091,203	Noninterest-bearing, due and demandable	Unsecured
Affiliates*				
AREIT Fund Managers, Inc. (m)	37,373,124	37,373,124	Noninterest-bearing; On demand	Unsecured
AREIT Property Managers, Inc. (n)	28,598,120	28,598,120	Noninterest-bearing; On demand	Unsecured
HLC Development Corporation (c)	20,987,186	13,773,210	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	6,720,868	6,720,868	Noninterest-bearing; On demand	Unsecured
Direct Power Services, Inc. (d)	42,535,151	3,317,064	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	4,157,942	4,157,942	Noninterest-bearing; On demand	Unsecured
Makati Development Corp. (e)	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Manila Water Company, Inc. (l)	2,061,853	2,061,853	Noninterest-bearing; On demand	Unsecured
Others**	998,590	998,590	Interest-bearing and noninterest-bearing; On demand	Unsecured
		₱405,111,433		

**Entities under common control*
***Entities below* ₱2.00 million

The following describes the nature of the material transactions of the Company with related parties as of June 30, 20201 and December 30, 2020:

(a) The Company's intercompany receivable from ALI pertains to collection of lease payments of tenant on behalf of the Company amounting to ₱29.63 million as of December 31, 2020 (nil in June 30, 2021) and payment of operating expenses for and on behalf of ALI amounting to ₱0.03 million and ₱0.02 million as of June 30, 2021 and December 31, 2020, respectively.

    ALI handles the lease management and marketing functions including key management personnel services of the Company and is entitled to receive a management fee. The Company recognized management fee amounting to ₱10.00 million for the six months ended June 30, 2020, respectively (nil in 2021, see Note 16).

    The Company entered into contracts of lease with ALI to occupy parcels of land where the Solaris and Teleperformance Cebu buildings are located. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱19.83 million and ₱18.19 million for the six months ended June 30, 2021 and 2020, respectively (see Note 16).

    On January 31, 2020, the Company entered into a contract of lease with ALI wherein ALI assigned, transferred, conveyed into the Company all of its rights and interests under existing tenant contracts which ALI had entered into with retail merchants and office tenants in connection with the development of MECC property. In addition, the contract of lease with ALI also contains the assumption of obligations wherein the Company thereby assumed all obligations of the ALI under the existing tenant contracts in MECC property.

    On February 1, 2020, ALI transferred the advance rent, security deposits and initial direct cost incurred for existing tenants of MECC property amounting to ₱75.09 million. Furthermore, payable amounting to ₱9.14 million as of December 31, 2020 (nil in June 30, 2021), pertain to expenses paid by ALI on behalf of the Company for MECC operations.

(b) The Company provides interest-bearing loan to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 2.00% to 2.30%and 2.63% to 5.50%per annum in 2021 and 2020, respectively.

The Company recognized interest income amounting to ₱3.80 million and ₱34.92 million for the six months ended June 30, 2021 and 2020, respectively.

Documentary stamp tax is paid by the borrowers at the time of the loan.

(c) HLC, a subsidiary of Amorsedia Development, Corporation, leases a land to the Company. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱36.95 million and ₱35.71 million for the six months ended June 30, 2021 and 2020, respectively (see Note 16).

(d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred amounted to ₱83.60 million and ₱20.55 million for the six months ended June 30, 2021 and 2020, respectively, of which the remaining payable amounted to ₱12.83 million and ₱3.32 million as of June 30, 2021 and December 31, 2020, respectively.

(e) On December 19, 2006, the Company and Makati Development Corp. (the 'Contractor') signed a construction contract agreement for a specific project. The Company has an outstanding retention payable to the contractor amounting to ₱2.02 million as of June 30, 2021 and December 31, 2020.

(f) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company prior to its listing in exchange for a fee equivalent to ₱12.00 per square meter of the total gross leasable area of units accepted by tenants subject to an annual escalation of 5% of the immediate succeeding year's rate. Provided, that if during the term, the occupancy rate of the building shall be 85% or above. If below 85%, the actual management fee for any given year shall be subject to approval of the BOD as part of the annual operating maintenance budget process. In the event no such approval is obtained, the management fee prevailing for the immediately preceding year shall apply. The Company recognized management fees amounting to ₱8.85 million and ₱7.95 million for the six months ended June 30, 2021 and 2020, respectively (see Note 16).

(g) Alveo Land Corp., a subsidiary of ALI, is a lessee of the Company. The Company recognized "Rental Income" in the statements of comprehensive income amounting to amounting to ₱2.33 million and ₱4.66 million on June 30, 2021 and December 30, 2020, respectively, of which the remaining receivable amounted ₱2.79 million and ₱0.03 million as of June 30, 2021 and December 31, 2020, respectively.

(h) The Company's intercompany payable to ALOI pertains to outstanding balance of accounting shared services billed on behalf of the Company amounting to ₱4.16 million as of December 31, 2020 (nil in June 30, 2021).

(i) Bank of the Philippine Islands, an associate of AC, is a lessee of the Company. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱63.37 million and ₱60.35 million for the six months ended June 30, 2021 and 2020, respectively.

(j) First Gateway Real Estate Corporation (FGREC), a subsidiary of ALOI, is a lessee of the Company. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱5.26 million and ₱5.00 million for the six months ended June 30, 2021 and 2020 , respectively.

(k) This pertains to the receivable arising from lease agreement with MNHVI (see Note 17). The Company recognized finance lease receivable amounting to ₱2,277.00 million and ₱2,242.58 million as of June 30, 2021 and December 31, 2020, respectively. This includes interest income accretion amounting to ₱75.07 million and ₱75.41 million for the six months ended June 30, 2021 and 2020 (see Note 15).

The Company also recognized receivable amounting to ₱8.61 million pertaining to payment for land lease on behalf of MNHVI.

(l) The Company's intercompany payable to Manila Water Company, Inc. pertains to outstanding balance of water consumption incurred by the Company amounting to ₱2.06 million December 31, 2020 (nil in June 30, 2021).

The Company recognized utility services in "Utilities" under "Dues" in the statements of comprehensive income amounting to ₱12.27 million and ₱11.87 million for the six months ended June 30, 2021 and 2020, respectively.

(m) AREIT Fund Managers, Inc., a subsidiary of ALI, handles the fund manager functions of the Company starting August 13, 2020, in exchange for a fee computed based on 0.10% of deposited property value plus 3.5% of the earnings before interest, taxes, depreciation, and amortization (EBITDA) before deduction of fees payable to fund manager and property manager and after deducting interest expense on lease liabilities for the period, exclusive of VAT. The Company recognized management fees amounting to ₱59.16 million for the six months ended June 30, 2021 (nil in 2020).

(n) AREIT Property Managers, Inc., a subsidiary of ALI, handles the property management functions of the Company starting August 13, 2020 in exchange for a fee equivalent to 3% of gross rental income and interest income from finance lease per year plus 2% of EBITDA before deduction of fees payable to fund manager and property manager and after deducting interest expense from lease liabilities for the period, provided that such fee shall not exceed 1% of the net asset value of the properties being managed. The Company recognized management fees amounting to ₱48.55 million for the six months ended June 30, 2021 (nil in 2020).

(o) This pertains to the receivable arising from lease agreement with NECC (see Note 17). The Company recognized finance lease receivable amounting to ₱420.35 million as of June 30, 2021. This includes interest income accretion amounting to ₱13.91 million for the six months ended June 30, 2021 (nil in 2020, see Note 14).

The Company also recognized payable amounting to ₱3.78 million pertaining to the maintenance of sewer charges.

<u>Cash in bank</u>
The Company has entered into transactions with Bank of the Philippine Islands, an associate of AC, consisting of cash in bank amounting to ₱62.48 million and ₱22.21 million as of June 30, 2021 and December 31, 2020, respectively (see Note 4). Interest income earned from these deposits amounted to ₱0.13 million and ₱0.21 million for the six months ended June 30, 2021 and 2020 (see Note 15).

<u>Compensation of Key Management Personnel</u>
The key management functions of the Company are handled by ALI, AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. which charge management fees for such services. See items (a), (m) and (n) above.

20. **Financial Assets and Liabilities**

Fair Value Information
Except for the Company's security deposits, which are disclosed below, carrying values of the other financial instruments of the Company approximate their fair values due to the short-term nature of the transactions.

	As of June 30, 2021		As of December 31, 2020	
	Carrying value	**Fair value**	Carrying value	Fair value
Security deposits	**₱482,579,247**	**₱503,097,749**	₱383,208,715	₱370,671,041

Fair Value Hierarchy
As of June 30, 20201 and December 31, 2020 the Company has no financial instrument measured at fair value. On June 30, 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 measurement.

The fair value of the Company's security deposits is categorized under Level 3 in the fair value hierarchy.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at June 30, 2021 and December 31, 2020 are shown below:

	Valuation technique	**Significant unobservable inputs**	**Range**	**Sensitivity of the input to fair value**
Security deposits	DCF Method	Discount rate	June 30, 2021: 0.48%-3.62% December 31, 2020: 3.14%-4.75%	Increase (decrease) in the discount would decrease (increase) the fair value

Financial Risk Management Objectives and Policies
The Company's principal financial instruments comprise of cash, receivables, accounts and other payables and security deposits which arise directly from the conduct of its operations. The main risks arising from the use of financial instruments are liquidity risk and credit risk.

The Company reviews policies for managing each of these risks. The Company monitors market price risk from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

Exposure to credit, interest rate and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management follow:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks: and
- to provide a degree of certainty about costs.

Prior to Company's listing, ALI's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company. Effective August 13, 2020, AREIT Fund Manager's, Inc. handles fund manager functions of the Company (see Note 19).

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's credit risks are primarily attributable to cash, receivables and other financial assets. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis its exposure to credit risks.

Credit risk arising from rental income from leased properties is primarily managed through a tenant selection process. 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. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of financial capacity. Except for the trade receivables, the maximum exposure to credit risk of all financial assets is equal to their carrying amounts.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As of June 30, 2021 and December 31, 2020, 59% and 70% of the Company's trade receivables are covered by security deposits, respectively. ECL related to trade receivables is minimal given its low credit risk and are generally covered by security deposits. The resulting ECL of ₱14.92 million as of June 30, 2021 and December 31, 2020 pertains to receivables aged over 360 days.

As of June 30, 2021 and December 31, 2020 the ECL relating to cash in banks is minimal as these are considered as low credit risk.

The Company has applied the simplified approach and has calculated ECLs based on lifetime ECL for finance lease receivable. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As of June 30, 2021 and December 31, 2020 ECL related to the Company's finance lease receivable is minimal given that the receivable is fully covered by the value of the underlying asset (as title to the asset is not transferred to the lessee) in the event of default by the counterparty and the counterparty is of good credit standing.

The Company did not provide any allowance relating to receivable from related parties in prior year. There are also no ECL recognized in the current year for related party receivables since there are no history of default payments. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The Company's maximum exposure to credit risk as of June 30, 2021 and December 31, 2020 is equal to the carrying values of its financial assets, except for "Trade receivables" under "Receivables" in the statements of financial position. Details as follows:

	June 30, 2021			
	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
Cash in banks	**₱71,063,334**	**₱–**	**₱71,063,334**	**₱–**
Receivables				
Finance lease receivable	**2,697,346,683**	**2,703,941,486**	**–**	**2,697,346,683**
Due from related parties	**323,605,086**	**–**	**323,605,086**	
Trade receivables	**136,075,851**	**503,097,749**	**–**	**136,075,851**
Recoverable deposits	**10,034,460**	**–**	**10,034,460**	**–**
	₱3,238,125,414	**₱3,207,039,235**	**₱404,702,880**	**₱2,833,422,534**

	December 31, 2020			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱58,955,047	₱–	₱58,955,047	₱–
Receivables				
Finance lease receivable	2,242,581,055	2,677,510,000	–	2,242,581,055
Due from related parties	2,242,543,812	–	2,242,543,812	–
Trade receivables	97,316,019	370,671,041	–	97,316,019
Recoverable deposits	10,034,460	–	10,034,460	–
	₱4,651,430,393	₱3,048,181,041	₱2,311,533,319	₱2,339,897,074

The aging analysis of the Company's receivable presented per class is as follows:

June 30, 2021

	Neither Past Due nor Impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
Finance lease receivable	₱2,697,346,683	₱–	₱–	₱–	₱–	₱–	₱2,697,346,683
Due from related parties	265,657,812	37,406,433	9,785,245	2,575,649	8,179,947	–	323,605,086
Trade receivables – billed	23,655,587	1,971,315	8,145,579	33,596,051	53,783,560	14,923,759	136,075,851
Total	₱2,986,660,082	₱39,377,748	₱17,930,824	₱36,171,700	₱61,963,507	₱14,923,759	₱3,157,027,620

December 31, 2020

	Neither Past Due nor Impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
Finance lease receivable	₱2,242,581,055	₱–	₱–	₱–	₱–	₱–	₱2,242,581,055
Due from related parties	378,311,003	334,700	83,995,847	196,017,361	1,583,884,901	–	2,242,543,812
Trade receivables – billed	31,811,441	206,716	12,501,473	6,059,795	31,812,835	14,923,759	97,316,019
Total	₱2,652,703,499	₱541,416	₱96,497,320	₱202,077,156	₱1,615,697,736	₱14,923,759	₱4,582,440,886

Liquidity risk
The Company actively manages its liquidity position so as to ensure that all operating, investing and financing needs are met. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while working capital requirements are sufficiently funded through cash collections and capital infusion by stockholders.

Through scenario analysis and contingency planning, the Company also assesses its ability to withstand both temporary and longer-term disruptions relative to its capacity to finance its activities and commitments in a timely manner and at reasonable cost and ensures the availability of ample unused credit facilities as back-up liquidity.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments:

	June 30, 2021			
	< 1 year	1 to 5 years	> 5 years	Total
Financial assets				
Cash in banks	₱71,063,334	₱–	₱–	₱71,063,334
Receivables				
Finance lease receivable	52,682,832	56,549,854	2,588,113,997	2,697,346,683
Due from related parties	323,605,086	–	–	323,605,086
Trade receivables*	121,152,093	–	–	121,152,093
Recoverable deposits	10,034,460	–	–	10,034,460
	₱578,537,805	₱56,549,854	₱2,588,113,997	₱3,223,201,656
Financial liabilities				
Accounts and other payables				
Due to related parties	₱298,963,900	₱–	₱–	₱298,963,900
Accrued expenses	94,518,989	–	–	94,518,989
Accounts payable	21,575,903	–	–	21,575,903
Retention payable	1,263,391	–	–	1,263,391
Short-term loans payable	4,422,500,000	–	–	4,422,500,000
Security deposits	121,901,337	338,172,254	22,505,656	482,579,247
	₱4,960,723,520	₱338,172,254	₱22,505,656	₱5,321,401,430

**net of allowance for expected credit losses*

	December 31, 2020			
	< 1 year	1 to 5 years	> 5 years	Total
Financial assets				
Cash in banks	₱58,955,047	₱–	₱–	₱58,955,047
Receivables				
Finance lease receivable	52,682,832	56,549,854	2,133,348,369	2,242,581,055
Due from related parties	2,242,543,812	–	–	2,242,543,812
Trade receivables*	82,392,261	–	–	82,392,261
Recoverable deposits	10,034,460	–	–	10,034,460
	₱2,446,608,412	₱56,549,854	₱2,133,348,369	₱4,636,506,635
Financial liabilities				
Accounts and other payables				
Due to related parties	₱405,111,433	₱–	₱–	₱405,111,433
Accrued expenses	56,595,899	–	–	56,595,899
Accounts payable	26,949,888	–	–	26,949,888
Retention payable	785,200	–	–	785,200
Security deposits	83,737,432	296,025,357	3,445,926	383,208,715
	₱573,179,852	₱296,025,357	₱3,445,926	₱872,651,135

**net of allowance for credit losses*

21. Earnings Per Share

The Company's earnings per share for the three months ended and six months ended June 30, 2021 and 2020 were computed as follows:

	2021 (Unaudited)		2020 (Unaudited)	
	April1 to June 30	**January 1 to June 30**	April1 to June 30	January 1 to June 30
Net income	**₱614,324,442**	**₱1,314,909,628**	₱477,732,174	₱1,013,252,057
Weighted average number of common shares	**1,025,656,435**	**1,025,656,435**	977,792,435	977,792,435
Basic/Diluted earnings per share	**₱0.60**	**₱1.28**	₱0.49	₱1.04

The Company also assessed that there were no potential dilutive common shares in 2021 and 2020.

22. Segment Reporting

The Company has determined that it is currently 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 four parcels of land and five-building lease operations are its only income-generating activity, and such is the measure used by the Chief Operating Decision Maker in allocating resources.

There are revenue transactions with two external customers which accounted for 10% or more of the total revenue amounting to ₱189.22 million and ₱126.61 million for the six months ended June 30, 2021 and ₱187.37 million and ₱127.31 million for the six months ended June 30, 2020.

23. Seasonality of Operations

There were no operations subject to seasonality or cyclicality except for the retail operations of the Company. The Company generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter of every year from shopping centers due to holiday spending. This information is provided to allow for a better understanding of the results; however, management has concluded that this is not 'highly seasonal' in accordance with PAS 34.

24. Notes to Interim Condensed Statements of Cash Flows

The Company's noncash operating, investing and financing activities are as follows:

Operating

- Noncash movement in "Receivables" amounting to ₱418.28 million composed of ₱389.97 million carrying value of property under finance lease and ₱28.31 million gain arising from the difference between the carrying value of the property leased to NECC in 2021 and the present value of the finance lease receivable (see Note 17).

Investing

- Noncash movement in "Investment Properties" amounting to ₱389.97 million arising from lease agreement with NECC in 2021 (nil in 2020; see Note 17).
- Increase in fair value of investment properties net of lease commissions amounting to ₱317.26 million and ₱493.94 million for six months ended June 30, 2021 and 2020 (See Note 7).

Financing

- Interest expense pertaining to the accretion of interest related to lease liabilities amounting to ₱28.28 million and ₱23.13 million for six months ended June 30, 2021 and 2020 (see Notes 16 and 17).

25. Events After the End of the Reporting Period

On August 12, 2021, the Board of Directors of the Company at its regular meeting, approved the declaration of cash dividends of ₱0.44 per outstanding common share for the second quarter of 2021. The cash dividends amounting to ₱451.29 million will be payable on September 10, 2021 to stockholders on record as of August 26, 2021

As of September 1, 2021, the SEC's approval on the increase in authorized capital stock and the subscription of ALI, WCVC, and GDI of shares in exchange for the identified properties valued at ₱15,464,140,000 to be transferred to AREIT is still pending (see Note 1).

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BOA/PRC Reg. No. 0001,
August 25, 2021, valid until April 15, 2024
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULE

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have reviewed in accordance with Philippine Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" ("PSRE 2410"), the interim condensed financial statements of AREIT, Inc. (the Company) which comprise the interim statement of financial position as at June 30,2021 and the related interim statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months ended June 30, 2021 and 2020, and a summary of significant accounting policies and explanatory notes and have issued our report thereon dated September 1, 2021. Our reviews were made for the purpose of forming a conclusion on the basic interim financial statements taken as a whole. The schedules listed in the Index to the Interim Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic interim financial statements. These schedules have been subjected to the review procedures applied in the review of the basic interim financial statements and, in our conclusion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic interim financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534336, January 4, 2021, Makati City

September 1, 2021

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BOA/PRC Reg. No. 0001,
August 25, 2021, valid until April 15, 2024
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
AREIT, Inc.
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

We have reviewed in accordance with Philippine Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" ("PSRE 2410"), the interim condensed financial statements of AREIT, Inc. (the Company) which comprise the interim statement of financial position as at June 30,2021 and the related interim statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months ended June 30,2021 and 2020, and a summary of significant accounting policies and explanatory notes and have issued our report thereon dated September 1, 2021. Our reviews were made for the purpose of forming a conclusion on the basic interim financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the 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 interim financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's interim financial statements as at June 30,2021 and December 31, 2020 and for six months June 30, 2021 and 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534336, January 4, 2021, Makati City

September 1, 2021

AREIT, INC.

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AREIT, INC.
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
JUNE 30, 2021

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash			
Cash in banks			
Bank of Philippine Islands	₱62,476,912	₱62,476,912	₱52,607
Deutsch Bank	8,586,422	8,586,422	74,657
	71,063,334	71,063,334	127,264
Receivables			
Related parties	3,020,951,770	3,020,951,770	92,777,440
Third parties	136,075,851	136,075,851	–
Others	540,004	540,004	–
	3,157,567,625	3,157,567,625	92,777,440
	₱3,228,630,959	₱3,228,630,959	₱92,904,704

SCHEDULE B

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

JUNE 30, 2021

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Current	Noncurrent	Balance at the end of the year
N/A	N/A	N/A	N/A	N/A	N/A	N/A

SCHEDULE C

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
JUNE 30, 2021

	Receivable Balance	Payable Balance	Current portion
Total Eliminated Receivables/Payables	N/A	N/A	N/A

SCHEDULE D

AREIT, INC.
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
JUNE 30, 2021

Long-term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “current portion of long-term” in related balance sheet	Amount shown under caption “long-term debt” in related balance sheet
N/A	N/A	N/A	N/A

SCHEDULE E

AREIT, INC.
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
JUNE 30, 2021

Indebtedness to Related Parties (Long-term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

JUNE 30, 2021

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

AREIT, INC.
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
JUNE 30, 2021

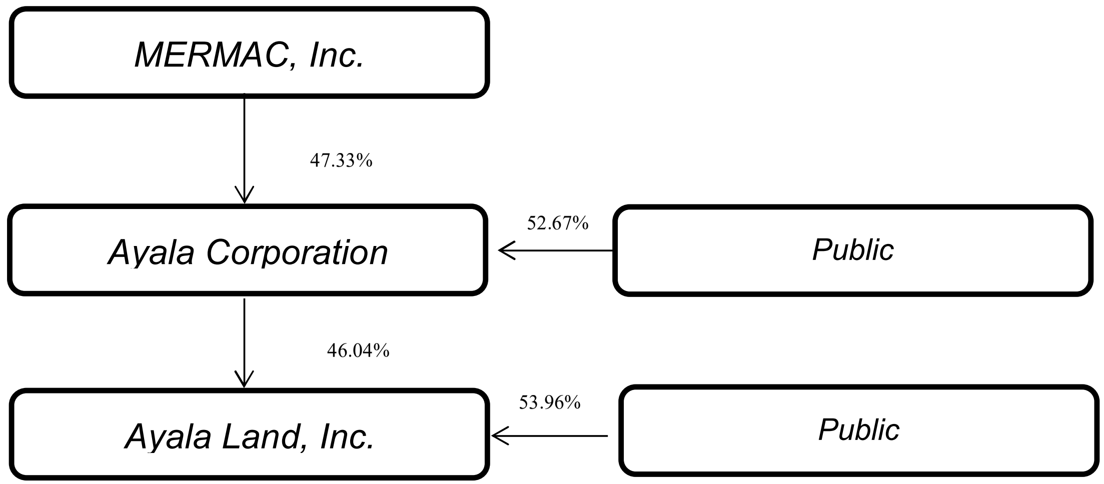
Capital Stock						
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	1,174,000,000	1,025,656,435	–	1,025,656,428	14	–

AREIT, INC.
SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
JUNE 30, 2021

Unappropriated Retained Earnings, beginning		₱21,765,499,530
Less: Cumulative Fair Value Adjustment of Investment Properties from its Original Cost		
Restatement adjustment	20,469,371,278	
Accumulated depreciation	(1,082,955,724)	19,386,415,554
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		2,379,083,976
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings		1,314,909,628
Less: Non-actual/unrealized income net of tax		
Fair Value adjustments of Investment Properties resulting to gain adjustment due to deviation from PFRS/GAAP – gain		307,873,195
Net income Actual/Realized		1,007,036,433
Dividend declarations during the year		(830,781,712)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱2,555,338,697

AREIT, INC.

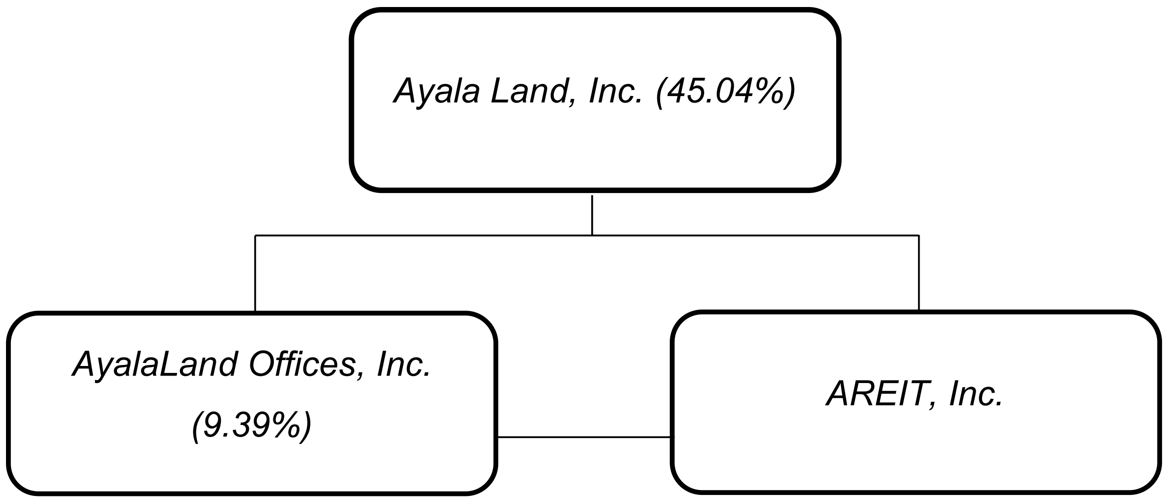
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2020



AREIT, INC.

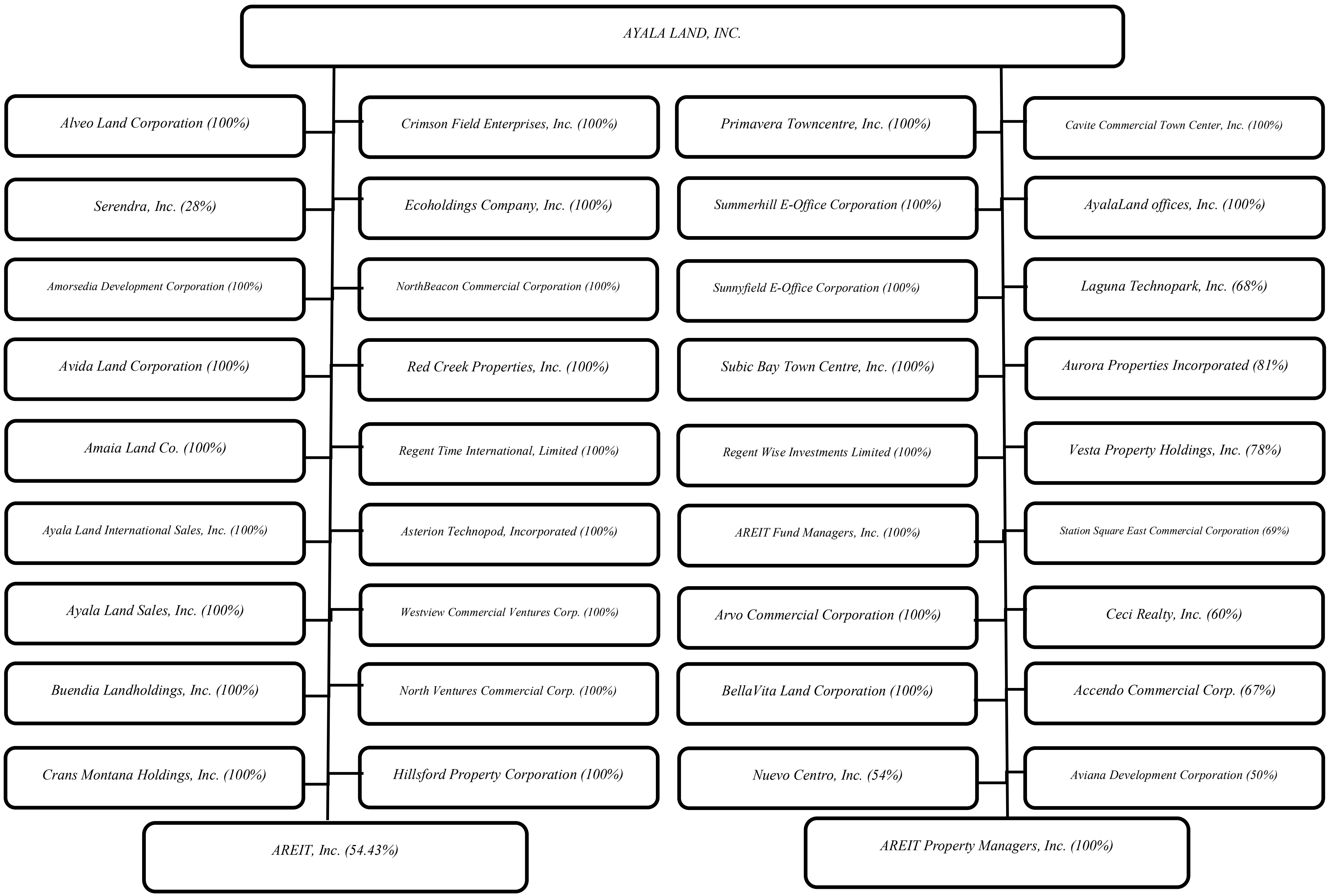
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

JUNE 30, 2021



AYALA LAND, INC.

Cagayan de Oro Gateway Corp. (70%)	*Adauge Commercial Corporation (60%)*	*Alabang Commercial Corporation (50%)*	*Ayala Property Management Corp. (100%)*
Soltea Commercial Corp. (60%)	*Southgateway Development Corp. (100%)*	*Makati Development Corporation (100%)*	*Ayala Theatres Management, Inc. & S. (100%)*
CMPI Holdings, Inc. (60%)	*Ayalaland MetroNorth, Inc. (100%)*	*Ayala Hotels, Inc. (50%)*	*DirectPower Services, Inc. (100%)*
ALI-CII Development Corporation (50%)	North Triangle Depot Commercial Corp. (73%)	*AyalaLand Hotels and Resorts Corp. (100%)*	*Phil. Integrated Energy Solutions, Inc. (100%)*
Roxas Land Corporation (50%)	*BGWest Properties, Inc. (50%)*	*Lagdigan Land Corp. (60%)*	*Five Star Cinema, Inc. (100%)*
Ten Knots Phils, Inc. (60%)	*Ten Knots Development, Corp. (60%)*	*Southportal Properties Inc. (65%)*	*Leisure and Allied Industries Philippines, Inc. (50%)*
ALInet.com, Inc. (100%)	*First Longfield Investments Limited (100%)*	*Aprisa Business Process Solutions, Inc. (100%)*	*AyalaLand Club Management, Inc. (100%)*
Varejo Corp. (100%)	*Ayala Land Malls, Inc. (100%)*	*Verde Golf Development Corporation (100%)*	*Whiteknight Holdings, Inc. (100%)*
ALI Commercial Center Inc. (100%)	*Cebu Holdings Inc. (71%)*	*AREIT, Inc. (54.43%)*	


AYALA LAND, INC.
Alveo Land Corporation (100%)
Serendra, Inc. (28%)
Amorsedia Development Corporation (100%)
Avida Land Corporation (100%)
Amaia Land Co. (100%)
Ayala Land International Sales, Inc. (100%)
Ayala Land Sales, Inc. (100%)
Buendia Landholdings, Inc. (100%)
Crans Montana Holdings, Inc. (100%)
Crimson Field Enterprises, Inc. (100%)
Ecoholdings Company, Inc. (100%)
NorthBeacon Commercial Corporation (100%)
Red Creek Properties, Inc. (100%)
Regent Time International, Limited (100%)
Asterion Technopod, Incorporated (100%)
Westview Commercial Ventures Corp. (100%)
North Ventures Commercial Corp. (100%)
Hillsford Property Corporation (100%)
AREIT, Inc. (54.43%)
Primavera Towncentre, Inc. (100%)
Summerhill E-Office Corporation (100%)
Sunnyfield E-Office Corporation (100%)
Subic Bay Town Centre, Inc. (100%)
Regent Wise Investments Limited (100%)
AREIT Fund Managers, Inc. (100%)
Arvo Commercial Corporation (100%)
BellaVita Land Corporation (100%)
Nuevo Centro, Inc. (54%)
Cavite Commercial Town Center, Inc. (100%)
AyalaLand offices, Inc. (100%)
Laguna Technopark, Inc. (68%)
Aurora Properties Incorporated (81%)
Vesta Property Holdings, Inc. (78%)
Station Square East Commercial Corporation (69%)
Ceci Realty, Inc. (60%)
Accendo Commercial Corp. (67%)
Aviana Development Corporation (50%)
AREIT Property Managers, Inc. (100%)

AREIT, INC.

COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS
JUNE 30, 2021

Ratio	Formula	**June 30, 2021 (Unaudited)**	December 30, 2020 (As restated)
Current ratio	Current assets / Current liabilities	**0.19**	3.71
Acid test ratio	Quick assets / Current liabilities (Quick assets includes cash and receivables – current portion)	**0.11**	3.32
Solvency ratio*	Net Income add Depreciation/ Total debt (Total debt includes short-term debt, long-term debt and current portion of long-term debt)	**0.30**	N/A
Debt-to-equity ratio	Total debt / Stockholders' equity	**0.13**	0.00
Asset-to-equity ratio	Total assets / Stockholders' equity	**1.20**	1.07
Interest rate coverage ratio	EBITDA / Interest expense	**17.21**	N/A
Return on equity	Net income / Average total stockholders' equity	**4%**	N/A
Return on assets	Net income after tax / Average total assets	**3%**	N/A
Net profit margin	Net income / Total revenue	**0.96**	N/A

*December 31, 2020 ratio is not presented since the statement of comprehensive income for December 31, 2020 is not part of the interim condensed financial statements

AREIT, Inc.

Pro-Forma Condensed Financial Information
As at June 30, 2021
and for the Six-Months Ended
June 30, 2021 and the Year Ended
December 31, 2020

and

Report on the Compilation of
Pro-Forma Condensed Financial Information
Included in a Prospectus

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working world

A member firm of Ernst & Young Global Limited

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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

BOA/PRC Reg. No. 0001,
August 25, 2021, valid until April 15, 2024
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

REPORT ON THE COMPILATION OF PRO-FORMA CONDENSED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

The Stockholders and Board of Directors
AREIT, Inc.

We have completed our assurance engagement to report on the compilation of the pro-forma condensed financial information of AREIT, Inc. (the Company) by the Company's management. The pro-forma condensed financial information consists of the pro-forma statement of financial position as at June 30, 2021 and the pro-forma statement of comprehensive income, pro-forma statement of changes in equity, pro-forma statement of cash flows for the six months ended June 30, 2021 and year ended December 31, 2020 and related notes. The applicable criteria on the basis of which the Company's management has compiled the pro-forma condensed financial information are described in Note 2 to the pro-forma condensed financial information.

The pro-forma condensed financial information has been compiled by the Company's management to illustrate the impact of the transactions set out in Note 3 on the Company's financial position as at June 30, 2021, the end of the period presented, and its financial performance and cash flows for the six months ended June 30, 2021 and year ended December 31, 2020, as if the transactions had taken place at January 1, 2020 and January 1, 2021, respectively, which is the beginning of the period presented. As part of this process, information about the Company's financial position, financial performance and cash flows have been extracted by Company's management from the Company's audited financial statements as at and for the year ended December 31, 2020, on which an audit report has been issued on February 24, 2021, and interim condensed financial statements as at and for the six months ended June 30, 2021, on which a review report has been issued on September 1, 2021.

Responsibility for the Pro-Forma Condensed Financial Information
The Company's management is responsible for compiling the pro-forma condensed financial information on the basis of the applicable criteria set out in Note 2 to the pro-forma condensed financial information.

Auditor's Responsibilities
Our responsibility is to express an opinion, as required by Section 9, Part II of the Revised Securities Regulation Code Rule 68, about whether the pro-forma condensed financial information has been compiled, in all material respects, by the Company's management on the basis of the applicable criteria set out in Note 2 to the pro-forma condensed financial information.

We conducted our engagement in accordance with the Philippine Standard on Assurance Engagements (PSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro-Forma Financial Information Included in a Prospectus,* issued by the Philippine Auditing and Assurance Standards Council. This standard requires that the auditors comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Company's management has compiled, in all material respects, the pro-forma condensed financial information on the basis of the applicable criteria set out in Note 2 to the pro-forma condensed financial information.

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Building a better working world

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro-forma condensed financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro-forma condensed financial information.

The purpose of the pro-forma condensed financial information included in a Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purpose of illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at June 30, 2021, or at the beginning of period presented, would have been as presented.

As reasonable assurance engagement to report on whether the pro-forma condensed financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Company's management in the compilation of the pro-forma condensed financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro-forma adjustments give appropriate effect to those criteria; and
- the pro-forma condensed financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the Company, the event or transaction in respect of which the pro-forma condensed financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro-forma condensed financial information. We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro-forma condensed financial information has been compiled, in all material respects, on the basis of the applicable criteria set out in Note 2 to the pro-forma condensed financial information.

SYCIP GORRES VELAYO & CO.

Dolmar C. Montañez

Dolmar C. Montañez
Partner
CPA Certificate No. 112004
SEC Accreditation No. 1561-AR-1 (Group A),
January 31, 2019 valid until January 30, 2022
Tax Identification No. 925-713-249
BIR Accreditation No. 08-001998-119-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534336, January 4, 2021, Makati City

September 1, 2021

AREIT, INC.
PRO-FORMA STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	AREIT, Inc. (Unaudited)	Pro-forma Adjustments (Unaudited) (Note 3.I)	Pro-forma Balances (Unaudited)
ASSETS			
Current assets			
Cash (Note 3.I.a)	₱71,085,834	₱460,254,366	₱531,340,200
Receivables (Note 3.I.b)	528,397,305	4,097,893	532,495,198
Other current assets	400,701,376	–	400,701,376
Total Current Assets	1,000,184,515	464,352,259	1,464,536,774
Noncurrent Assets			
Noncurrent portion of receivables (Note 3.I.c)	2,614,246,562	518,789,862	3,133,036,424
Investment properties (Note 3.I.d)	34,811,316,966	15,224,875,449	50,036,192,415
Property and equipment	231,454	–	231,454
Other noncurrent assets	1,686,916,465	–	1,686,916,465
Total Noncurrent Assets	39,112,711,447	15,743,665,311	54,856,376,758
	₱40,112,895,962	₱16,208,017,570	₱56,320,913,532
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	₱449,414,607	₱–	₱449,414,607
Short-term loans payable	4,422,500,000	–	4,422,500,000
Interest payable	1,782,778	–	1,782,778
Current portion of deposits and other liabilities (Note 3.I.e)	291,143,698	13,404,662	304,548,360
Income tax payable	54,444,350	–	54,444,350
Current portion of lease liability (Note 3.I.f)	36,015,135	8,924,603	44,939,738
Construction bonds (Note 3.I.g)	–	49,921,269	49,921,269
Total Current Liabilities	5,255,300,568	72,250,534	5,327,551,102
Noncurrent Liabilities			
Deposits and other liabilities - net of current portion (Note 3.I.h)	718,693,919	674,086,693	1,392,780,612
Lease liability- net of current portion (Note 3.I.i)	847,028,275	249,000,852	1,096,029,127
Total Noncurrent Liabilities	1,565,722,194	923,087,545	2,488,809,739
Total Liabilities	6,821,022,762	995,338,079	7,816,360,841
Equity			
Paid-up capital (Note 3.I.j)	10,929,864,050	4,832,543,750	15,762,407,800
Treasury shares	(673,299,700)	–	(673,299,700)
Additional paid-in capital (Note 3.I.k)	785,681,404	10,583,270,813	11,368,952,217
Retained earnings (Note 3.I.l)	22,249,627,446	(203,135,072)	22,046,492,374
Total Equity	33,291,873,200	15,212,679,491	48,504,552,691
	₱40,112,895,962	₱16,208,017,570	₱56,320,913,532

See accompanying Notes to Pro-Forma Condensed Financial Information.

AREIT, INC.

PRO-FORMA STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021

	AREIT, Inc. (Unaudited)	Pro-Forma Adjustments (Unaudited) (Note 3.II)	Pro-Forma Balances (Unaudited)
REVENUE			
Rental income	₱1,076,037,132	₱724,429,932	₱1,800,467,064
Dues	199,681,658	147,172,183	346,853,841
Interest income from finance lease receivables	88,978,313	22,165,523	111,143,836
	1,364,697,103	893,767,638	2,258,464,741
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES	307,873,195	189,917,194	497,790,389
COSTS AND EXPENSES			
Direct operating expenses	285,947,276	167,579,012	453,526,288
General and administrative expenses	23,043,932	2,956,243	26,000,175
	308,991,208	170,535,255	479,526,463
OTHER INCOME (CHARGES) - Net			
Gain under finance lease	28,309,398	–	28,309,398
Interest income	3,926,391	–	3,926,391
Interest expense	(80,879,798)	(11,518,990)	(92,398,788)
	(48,644,009)	(11,518,990)	(60,162,999)
INCOME BEFORE INCOME TAX	1,314,935,081	901,630,587	2,216,565,668
PROVISION FOR INCOME TAX	25,453	–	25,453
NET INCOME	1,314,909,628	901,630,587	2,216,540,215
OTHER COMPREHENSIVE INCOME	–	–	–
TOTAL COMPREHENSIVE INCOME	₱1,314,909,628	₱901,630,587	₱2,216,540,215
Weighted Average Number of Common Shares	1,025,656,435		1,508,910,810
Basic/Diluted Earnings Per Share (Note 4)	₱1.28		₱1.47

See accompanying Notes to Pro-Forma Condensed Financial Information.

AREIT, INC.

PRO-FORMA STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	AREIT, Inc. (Audited)	Restatement Adjustment. (Unaudited) (Note 2)	Pro-Forma Adjustments (Unaudited) (Note 3.III)	Pro-Forma Balances (Unaudited)
REVENUE				
Rental income	₱1,495,723,891	₱–	₱1,753,869,463	₱3,249,593,354
Dues	305,087,397	–	321,682,056	626,769,453
Interest income from finance lease receivables	150,814,117	–	74,720,975	225,535,092
	1,951,625,405	–	2,150,272,494	4,101,897,899
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES	–	1,424,645,596	379,388,990	1,804,034,586
COSTS AND EXPENSES				
Direct operating expenses	585,302,407	(225,529,580)	403,212,458	762,985,285
General and administrative expenses	49,474,313	–	6,561,422	56,035,735
	634,776,720	(225,529,580)	409,773,880	819,021,020
OTHER INCOME (CHARGES) – Net				
Interest income	78,670,585	–	–	78,670,585
Interest expense	(65,419,124)	–	(23,037,980)	(88,457,104)
Other income	3,660,620	–	–	3,660,620
	16,912,081	–	(23,037,980)	(6,125,899)
INCOME BEFORE INCOME TAX	1,333,760,766	1,650,175,176	2,096,849,624	5,080,785,566
PROVISION FOR (BENEFIT FROM) INCOME TAX	106,576,453	(3,387,455,299)	213,395,781	(3,067,483,065)
NET INCOME	1,227,184,313	5,037,630,475	1,883,453,843	8,148,268,631
OTHER COMPREHENSIVE INCOME	–	–	–	–
TOTAL COMPREHENSIVE INCOME	₱1,227,184,313	₱5,037,630,475	₱1,883,453,843	₱8,148,268,631
Weighted Average Number of Common Shares	996,151,230			1,479,405,605
Basic/Diluted Earnings Per Share (Note 4)	₱1.23			₱5.51

See accompanying Notes to Pro-Forma Condensed Financial Information.

AREIT, INC.

PRO-FORMA STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021

	AREIT, Inc. (Unaudited)	Pro-Forma Adjustments (Unaudited) (Note 3.IV)	Pro-Forma Balances (Unaudited)
PAID-UP CAPITAL			
Common Shares - ₱10 par value			
Balance at beginning of period	₱10,929,864,050	₱–	₱10,929,864,050
Issuance of new shares (Note 3.IV.2)	–	4,832,543,750	4,832,543,750
Balance at end of period	10,929,864,050	4,832,543,750	15,762,407,800
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of period	785,681,404	–	785,681,404
Issuance of new shares (Note 3.IV.2)	–	10,583,270,813	10,583,270,813
Balance at end of period	785,681,404	10,583,270,813	11,368,952,217
TREASURY SHARES			
Balance at beginning and end of period	(673,299,700)	–	(673,299,700)
RETAINED EARNINGS			
Balance at beginning of period	21,765,499,530	–	21,765,499,530
Total comprehensive income/Net income	1,314,909,628	901,630,587	2,216,540,215
Cash dividends	(830,781,712)	–	(830,781,712)
Other pro-forma adjustments (Note 3.IV)	–	(1,104,765,659)	(1,104,765,659)
Balance at end of period	22,249,627,446	(203,135,072)	22,046,492,374
	₱33,291,873,200	₱15,212,679,491	₱48,504,552,691

See accompanying Notes to Pro-Forma Condensed Financial Information.

AREIT, INC.

PRO-FORMA STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	AREIT, Inc. (Audited)	Restatement Adjustments (Unaudited) (Note 2)	Pro-Forma Adjustments (Unaudited) (Note 3.V)	Pro-Forma Balances (Unaudited)
PAID-UP CAPITAL				
Common Shares - ₱10 par value				
Balance at beginning of year	₱10,451,224,050	₱–	₱–	₱10,451,224,050
Issuance of new shares (Note 3.V.2)	478,640,000	–	4,832,543,750	5,311,183,750
Balance at end of year	10,929,864,050	–	4,832,543,750	15,762,407,800
ADDITIONAL PAID-IN CAPITAL				
Issuance of new shares (Note 3.V.2)	785,681,404	–	10,583,270,813	11,368,952,217
Balance at end of year	785,681,404	–	10,583,270,813	11,368,952,217
TREASURY SHARES				
Balance at beginning and end of year	(673,299,700)	–	–	(673,299,700)
RETAINED EARNINGS				
Balance at beginning of year	1,022,804,424	15,431,740,803	–	16,454,545,227
Total comprehensive income/Net income (Note 3.V)	1,227,184,313	5,037,630,475	1,883,453,843	8,148,268,631
Cash dividends	(953,860,485)	–	–	(953,860,485)
Other pro-forma adjustments (Note 3.V)	–	–	(1,883,453,843)	(1,883,453,843)
Balance at end of year	1,296,128,252	20,469,371,278	–	21,765,499,530
	₱12,338,374,006	₱20,469,371,278	₱15,415,814,563	₱48,223,559,847

See accompanying Notes to Pro-Forma Condensed Financial Information.

AREIT, INC.
PRO-FORMA STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

	AREIT, Inc. (Unaudited)	Pro-Forma Adjustments (Unaudited) (Note 3.VI)	Pro-forma Balances (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax (Note 3.VI.a)	₱1,314,935,081	₱901,630,587	₱2,216,565,668
Adjustments for:			
Net fair value change in investment properties (Note 3.VI.b)	(307,873,195)	(189,917,194)	(497,790,389)
Depreciation and amortization	7,805	–	7,805
Interest expense (Note 3.VI.c)	80,879,798	11,518,990	92,398,788
Gain under finance lease	(28,309,398)	–	(28,309,398)
Interest income from finance lease receivables (Note 3.VI.d)	(88,978,313)	(22,165,523)	(111,143,836)
Interest income	(3,926,391)	–	(3,926,391)
Operating income before working capital changes	966,735,387	701,066,860	1,667,802,247
Changes in operating assets and liabilities:			
Increase in:			
Receivables (Note 3.VI.d)	(84,272,638)	(22,165,523)	(106,438,161)
Other assets	(804,642,897)	–	(804,642,897)
Increase (decrease) in:			
Accounts and other payables (Note 3.VI.e)	(64,517,662)	(228,832,820)	(293,350,482)
Deposits and other liabilities (Note 3.VI.f)	144,993,614	687,491,355	832,484,969
Construction bonds (Note 3.VI.g)	–	49,921,269	49,921,269
Cash generated from operations	158,295,804	1,187,481,141	1,345,776,945
Interest received (Note 3.VI.d)	92,904,704	22,165,523	115,070,227
Interest paid	(38,060,272)	–	(38,060,272)
Income tax paid	(25,453)	–	(25,453)
Net cash flows provided by operating activities	213,114,783	1,209,646,664	1,422,761,447
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in due from related parties	1,918,938,726	–	1,918,938,726
Payments for additions to investment properties	(5,694,354,566)	–	(5,694,354,566)
Payments for additions to property and equipment	(227,205)	–	(227,205)
Net cash flows used in investing activities	(3,775,643,045)	–	(3,775,643,045)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans	9,449,000,000	–	9,449,000,000
Payments of short-term loans	(5,026,500,000)	–	(5,026,500,000)
Payments of dividends	(830,781,712)	–	(830,781,712)
Payments of principal portion of lease liability	(17,081,739)	–	(17,081,739)
Net cash flows provided by financing activities	3,574,636,549	–	3,574,636,549
Other pro-forma adjustments (Note 3.VI)	–	(749,392,298)	(749,392,298)
NET INCREASE IN CASH	12,108,287	460,254,366	472,362,653
CASH AT BEGINNING OF YEAR	58,977,547	–	58,977,547
CASH AT END OF YEAR	₱71,085,834	₱460,254,366	₱531,340,200

See accompanying Notes to Pro-Forma Condensed Financial Information.

AREIT, INC.

PRO-FORMA STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	AREIT, Inc. (Audited)	Restatement Adjustments (Unaudited) (Note 2	Pro-Forma Adjustments (Unaudited) (Note 3.VII)	Pro-forma Balances (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax (Note 3.VII.a)	₱1,333,760,766	₱1,650,175,176	₱2,096,849,624	₱5,080,785,566
Adjustments for:				
Net fair value change in investment properties (Note 3.VII.b)	–	(1,424,645,596)	(379,388,990)	(1,804,034,586)
Depreciation and amortization	225,537,616	(225,529,580)	–	8,036
Interest expense (Note 3.VII.c)	65,419,124	–	23,037,980	88,457,104
Interest income from finance lease receivables (Note 3.VII.d)	(150,814,117)	–	(74,720,975)	(225,535,092)
Interest income	(78,670,585)	–	–	(78,670,585)
Operating income before working capital changes	1,395,232,804	–	1,665,777,639	3,061,010,443
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables (Note 3.VII.d)	(90,137,358)	–	(74,720,975)	(164,858,333)
Other assets	(157,314,964)	–	–	(157,314,964)
Increase (decrease) in:				
Accounts and other payables (Note 3.VII.e)	280,552,617	–	(228,832,820)	51,719,797
Deposits and other liabilities (Note 3.VII.f)	71,237,359	–	687,491,355	758,728,714
Construction bonds (Note 3.VII.g)	(11,105,498)	–	49,921,269	38,815,771
Cash generated from operations	1,488,464,960	–	2,099,636,468	3,588,101,428
Interest received (Note 3.VII.d)	229,484,702	–	74,720,975	304,205,677
Income tax paid	(190,606,074)	–	–	(190,606,074)
Net cash flows provided by operating activities	1,527,343,588	–	2,174,357,443	3,701,701,031
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in due from related parties	(343,300,000)	–	–	(343,300,000)
Payments for additions to investment properties (Note 3.VII.h)	(1,483,807,649)	–	(5,552,312,834)	(7,036,120,483)
Net cash flows used in investing activities	(1,827,107,649)	–	(5,552,312,834)	(7,379,420,483)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from issuance of shares	1,223,218,423	–	–	1,223,218,423
Payments of dividends	(953,860,485)	–	–	(953,860,485)
Payments of principal portion of lease liability	(32,796,936)	–	–	(32,796,936)
Net cash flows provided by financing activities	236,561,002	–	–	236,561,002
Other pro-forma adjustments (Note 3.VII)	–	–	3,838,209,757	3,838,209,757
NET INCREASE (DECREASE) IN CASH	(63,203,059)	–	460,254,366	397,051,307
CASH AT BEGINNING OF YEAR	122,180,606	–	–	122,180,606
CASH AT END OF YEAR	₱58,977,547	₱–	₱460,254,366	₱519,231,913

See accompanying Notes to Pro-Forma Condensed Financial Information.

NOTES TO PRO-FORMA CONDENSED FINANCIAL STATEMENTS

1. Corporate Information

AREIT, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2006. The Company was organized primarily to engage in the business which 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, whether freehold or leasehold, within or outside the Philippines with or to such persons and entities and under such terms and conditions as may be permitted by law; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real estate and managed funds; (3) to receive, collect and dispose of the rent, interest, dividends and income rising from its property and investments; and (4) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient or incidental to or implied from the purposes herein mentioned.

The Company is a publicly-listed company, 40.75%-owned by Ayala Land Inc. (ALI), 9.39%-owned by AyalaLand Offices, Inc. (ALOI), a wholly owned subsidiary of ALI and the rest by the public. ALI's parent is Ayala Corporation (AC). AC is 47.87%-owned by Mermac, Inc. and the rest by the public. Both ALI and AC are publicly listed companies domiciled and incorporated in the Philippines.

The Company's registered office address and principal place of business is 28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Company's common stock was listed in The Philippine Stock Exchange on August 13, 2020 as a Real Estate Investment Trust (REIT).

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.

The unaudited pro-forma financial information as at June 30, 2021 and for six months ended June 30, 2021, and for year ended December 31, 2020 were authorized for issue by the BOD on September 1, 2021.

2. Basis of Preparing Pro-Forma Financial Information

The unaudited pro-forma financial information has been prepared in accordance with Section 9, Part II of the Revised Securities Regulation Code Rule 68 (SRC Rule 68).

The unaudited -pro-forma financial information has been prepared solely for the inclusion in the prospectus prepared by the Company's management in connection with its planned bond offering. The unaudited -pro-forma financial information should be read in conjunction with the unaudited interim condensed financial statements as at and for the six months ended June 30, 2021 and the audited financial statements as at and for the year ended December 31, 2020.

The objective of this pro-forma financial information is to show the effects of the transactions described below on the historical financial information of the Company had these occurred at an earlier date. However, the unaudited -pro-forma financial information is not necessarily indicative of the financial performance or related effects on the financial statements that would have been attained, had the transactions described below actually occurred at an earlier date. The pro-forma condensed financial information is not intended to be considered in isolation from, or as a substitute for, financial position or results of operations prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The pro-forma condensed consolidated information has not been prepared in accordance to the requirements of Article 11 of the Recognition S-X under the U.S. Exchange Act.

<u>Significant Transactions</u>
Acquisition of the Laguna Technopark Land Parcels
On January 5, 2021, the Company entered into a Deed of Absolute Sale with Technopark Land, Inc (TLI), a subsidiary of AC, to acquire 98,179 square meters (sqm) of land for ₱987.98 million, exclusive of VAT. Currently, the acquired parcels of land are being leased out to Integrated Micro-Electronics, Inc. (IMI) for a period of 8 years starting from January 1, 2020 to December 31, 2027. The subject properties are the four (4) parcels of land located at Barrio Binan, Laguna.

Acquisition of The 30th Commercial Development
On January 15, 2021, the Company entered into a Deed of Sale with ALI for the acquisition of The 30th Commercial Development for ₱4.56 billion (VAT exclusive). ALI has an existing land lease contract with MBS Development Corporation (MBS) which will expire on September 1, 2056 and such contract of lease shall be assigned to AREIT as part of the sale of the building. Simultaneous to the acquisition, the Company and North Eastern Commercial Corp. (NECC), a wholly-owned subsidiary of ALI under the Ayala Malls brand, entered into a lease agreement for the retail podium of The 30th that is payable on monthly guaranteed lease for a period of 36 years. The retail podium is operated by NECC. NECC will pay a monthly guaranteed building lease to AREIT for a period of 36 years, in line with the land lease term of the property. With this transaction, AREIT will not be subjected to volatility risk from retail operations.

For the purpose of the pro-forma statement of financial position as at June 30, 2021 and the related pro-forma statement of comprehensive income, pro-forma statement of changes in equity and pro-forma statement of cash flows for six months ended June 30, 2021, the acquisitions of the Laguna Technopark Land Parcels and The 30th Commercial Development are no longer considered since these are already reflected in the June 30, 2021 interim statement of comprehensive of the Company. Instead, these transactions are considered in the pro-forma statement of comprehensive income, pro-forma statement of changes in equity and pro-forma statement of cash flows for the year ended December 31, 2020.

Execution of Property-for-Share Swap Agreement
On March 16, 2021 and April 23, 2021, the Company's Board of Directors (BOD) and the Company's stockholders, respectively, approved the increase in authorized capital stock from ₱11.74 billion to ₱29.50 billion, and the issuance of 483,254,375 primary common shares of stock (the "Shares") to ALI, Westview Commercial Venture Corporation (WCVC), and Glensworth Development Corporation (GDI), at an issue price of ₱32.00 per share in exchange for identified properties valued at ₱15.46 billion. On June 8, 2021, the Company, ALI, WCVC, and GDI executed the Deed of Exchange in implementation of the transaction. As of September 1, 2021, the SEC's approval on the increase in authorized capital stock and the subscription of ALI, WCVC, and GDI of shares in exchange for the properties to be transferred to AREIT is still pending.

The Company, WCVC and GDI are subsidiaries of ALI. In the normal conduct of business, the Company has transaction with said subsidiaries consisting mainly of interest-bearing loans for working capital purposes.

The Transferred Properties consist of: (i) the buildings and related immovable property in respect to three Vertis Office Towers and Mall in Quezon City, two Evotech office buildings in Laguna, two office buildings in Bacolod City, (ii) three condominium office units in Makati, and six condominium office units in Alabang.

Certain properties included in the property-for-share swap agreement are located on land parcels which are not owned by ALI, WCVC and GDI. These are under long-term leases with a third party and a related party.

The transaction also includes the execution of Deed of Assignment wherein ALI, WCVC, and GDI will assign, cede, and convey all of its rights, title, contracts, deposits from tenants, construction bonds and interest in the Transferred Properties. Moreover, ALI, WCVC and GDI, will assign the related long-term land lease agreements of the properties to the Company. These consist of five lease arrangement of which two are payable at a monthly rate based on a certain percentage of gross rental income and the rest at a fixed monthly rate. The planned lease term for these lease arrangement ranges from 36 to 41 years.

The Company determined that the Transferred Properties are each considered as a single identifiable asset and substantially all the fair value of each gross assets acquired is concentrated in a single identifiable asset. Thus, the execution of the Property-for-share Swap Agreement is accounted for as purchase of an asset rather than a business.

Execution of Lease Agreement with NECC as Lessee
The pro-forma condensed financial information also includes the execution of the planned long-term lease agreement between the Company, as lessor and NECC, as lessee. The planned lease agreement pertains to the lease of Vertis Mall. It is payable on monthly guaranteed lease for a period of 36 years.

Restatement
In 2021, the Company voluntarily changed its accounting policy on investment properties from cost model to fair value model which requires restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity. As a result, the December 31, 2020 statement of comprehensive income, statement of changes in equity and statement of cash flows were restated to reflect the effect of the voluntary change. The impact of the voluntary change is discussed below:

Statement of Comprehensive Income

	Ref	As previously reported December 31, 2020	Adjustment	As restated December 31, 2020
Net fair value change in investment properties	a	₱–	₱1,424,645,596	₱1,424,645,596
Direct operating expenses	b	585,302,407	(225,529,580)	359,772,827
Income before income tax		1,333,760,766	1,650,175,176	2,983,935,942
Provision for (benefit from) income tax	c	106,576,453	(3,387,455,299)	(3,280,878,846)
Net income		1,227,184,313	5,037,630,475	6,264,814,788

Statement of Changes in Equity

	Ref	As previously reported December 31, 2020	Adjustment	As restated December 31, 2020
Retained earnings at beginning of year	a	₱1,022,804,424	₱15,431,740,803	₱16,454,545,227
Total comprehensive income/Net income	a	1,227,184,313	5,037,630,475	6,264,814,788
Retained earnings at end of year	a	1,296,128,252	20,469,371,278	21,765,499,530

Statement of Cash Flows

	Ref	As previously reported December 31, 2020	Adjustment	As restated December 31, 2020
Income before income tax		₱1,133,760,766	₱1,650,175,176	₱2,783,935,942
Depreciation	b	225,537,616	(225,529,580)	8,036
Net fair value change in investment properties	a	–	(1,424,645,596)	(1,424,645,596)

Below are the discussions of the adjustments:

a. Under fair value accounting, investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts based on the "income approach" which are based on the buildings' discounted future cash flows. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. Gains and losses arising from the fair value accounting are adjusted to retained earnings as at December 31, 2020. This resulted to increase in deferred tax expense .

   The effect of the retroactive adjustment from cost method to fair value accounting is adjusted to retained earnings as at December 31, 2020.

b. Depreciation expense under cost model previously recorded as part of "direct operating expenses" was reversed.

c. As of January 1, 2020, the Company recognized deferred tax liabilities amounting to ₱3,387.45 million arising from the change in accounting policy from cost to fair value. This was determined by applying the Company's old tax regime using 18% effective tax rate under Optional Standard Deduction to the cumulative fair value increase of ₱18,819.20 million as of January 1, 2020. After the Company's listing on August 13, 2020, deferred taxes are measured using zero effective tax rate based on applicable tax regime under the REIT law and after considering the effect of the expected future dividend distributions. Accordingly, the recognized deferred tax liabilities as of January 1, 2020 is subsequently reversed to the statement of comprehensive income for the year ended December 31, 2020.

3. **Pro-Forma Adjustments**

The pro-forma financial information is based on the historical information of the Company as shown in the interim condensed financial statements as at and for the six months ended June 30, 2021 and audited financial statements as at December 31, 2020, and after giving effect to certain assumptions and pro-forma adjustments described in the succeeding paragraphs. The pro-forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances

The pro-forma condensed financial information does not purport to represent what the financial performance and financial position of the Company would have been had the significant transactions discussed in the succeeding paragraphs occurred as at June 30, 2021 or January 1, of each of the periods presented or as the case may be, nor does it purport to project the financial performance of the Company for any future period or date. This has been prepared for illustration purposes only and on the assumption that all relevant conditions precedent have been satisfied.

For the purpose of the pro-forma statements of comprehensive income, changes in equity, cash flows and earnings per share, the transactions are assumed to have occurred on January 1, 2020 and January 1, 2021, which is the beginning of the periods presented. For the purpose of the pro-forma statement of financial position as at June 30, 2021, the transaction is assumed to have occurred on June 30, 2021, the end of the period presented.

I. Pro-forma adjustments in the statement of financial position as of June 30, 2021

For the purpose of the pro-forma statement of financial position as at June 30, 2021, the execution of the Property-for-share Swap Agreement and execution of Lease Agreement with NECC as Lessee are assumed to have occurred on June 30, 2021. The acquisitions of the Laguna Technopark Land Parcels and The 30th Commercial Development are no longer considered since these are already reflected in the June 30, 2021 interim statement of financial position of the Company.

Pro-forma adjustments have been made to the pro-forma statement of financial position which resulted in the recognition of the following:

a) Cash amounting to ₱460.25 million;
b) Receivables amounting to ₱4.10 million;
c) Noncurrent portion of receivables amounting to ₱518.79 million;
d) Investment properties amounting to ₱15,224.88 million;
e) Current portion of deposits and other liabilities amounting to ₱13.40 million;
f) Current portion of lease liability amounting to ₱8.92 million;
g) Construction bonds amounting to ₱49.92 million;
h) Noncurrent portion of deposits and other liabilities amounting to ₱674.09 million;
i) Noncurrent portion of lease liability amounting to ₱249.00 million;
j) Paid-up capital of ₱4,832.54 million for the issuance of 483.25 million common shares at ₱10 par value; and,
k) Additional paid-in capital amounting to ₱10,583.27 million, the excess of fair value of the Assigned Properties over shares issued in accordance with Property-for-Share Swap and after deducting the estimated share issuance cost of ₱48.33 million;
l) Retained earnings amounting to ₱203.14 million pertains to the transaction cost amounting to ₱228.83 million and recognition of gain under finance lease agreement amounting to ₱25.70 million.

II. Pro-forma adjustments to the pro-forma statement of comprehensive income for the six months ended June 30, 2021

For the purpose of the pro-forma statement of comprehensive income for the six months ended June 30, 2021, the execution of the Property-for-share Swap Agreement and execution of Lease Agreement with NECC are assumed to have occurred on January 1, 2021. The acquisitions of the Laguna Technopark Land Parcels and The 30th Commercial Development are no longer considered since these are already reflected in the June 30, 2021 interim statement of comprehensive income of the Company.

Pro-forma adjustments have been made to include the results of the Transferred Properties in the Swap Agreement for the six months ended June 30, 2021 into the pro-forma statement of comprehensive income as follows:

	Pro-forma Adjustment June 30, 2021
REVENUE	
Rental income	₱724,429,932
Dues	147,172,183
Interest income from finance lease receivables	22,165,523
	893,767,638
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES	189,917,194
COSTS AND EXPENSES	
Direct operating expenses	167,579,012
General and administrative expenses	2,956,243
	170,535,255
OTHER CHARGES	
Interest expense	(11,518,990)
INCOME BEFORE INCOME TAX	901,630,587
PROVISION FOR INCOME TAX	–
NET INCOME	901,630,587
OTHER COMPREHENSIVE INCOME	–
TOTAL COMPREHENSIVE INCOME	₱901,630,587

The Company will enter into a long-term lease agreement for Vertis Mall which will result in recognition of one-time gain arising from the difference between the carrying value of the property leased and the present value of the finance lease receivable amounting to ₱25.70 million. This is not included in the pro-forma statement of comprehensive income since it is not recurring in nature.

III. Pro-forma adjustments to the pro-forma statement of comprehensive income for the year ended December 31, 2020

For the purpose of the pro-forma statement of comprehensive income for the year ended December 31, 2020, the execution of Property-for-Share Swap Agreement, execution of Lease Agreement with NECC, Acquisition of the Laguna Technopark Land Parcels and The 30th Commercial Development are assumed to have occurred on January 1, 2020.

Pro-forma adjustments have been made to include the results acquired Properties for the year ended December 31, 2020 into the pro-forma statement of comprehensive income as follows:

	Pro-forma Adjustment December 31, 2020
REVENUE	
Rental income	₱1,753,869,463
Dues	321,682,056
Interest income from finance lease receivables	74,720,975
	2,150,272,494
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES	379,388,990
COSTS AND EXPENSES	
Direct operating expenses	403,212,458
General and administrative expenses	6,561,422
	409,773,880
OTHER CHARGES	
Interest expense	(23,037,980)
INCOME BEFORE INCOME TAX	2,096,849,624
PROVISION FOR INCOME TAX	213,395,781
NET INCOME	1,883,453,843
OTHER COMPREHENSIVE INCOME	–
TOTAL COMPREHENSIVE INCOME	₱1,883,453,843

The Company has entered into a long-term lease agreement on the retail podium of The 30th Commercial Development building on January 1, 2021 and for the Vertis Mall simultaneous to the execution of the Property-for-Share Swap Agreement which resulted in recognition of one-time gain arising from the difference between the carrying value of the property leased and the present value of the finance lease receivable amounting to ₱54.01 million. This is not included in the pro-forma statement of comprehensive income since it is not recurring in nature.

IV. Pro-forma adjustments to the pro-forma statement of changes in equity for the six months ended June 30, 2021

1. Pro-forma net income

   Included the pro-forma net income as reflected in the pro-forma statement of comprehensive income for the period ended June 30, 2021 as discussed in Section 3.II.

2. Issuance of new shares

   Pro-forma adjustments have been made to reflect the issuance of 483,254,375 common shares with an exchange price of ₱32 pesos per share at ₱10 par value related to the execution of Property for Share Swap Agreement which resulted in the recognition of capital stock and additional paid-in capital amounting to ₱4,832.54 million and ₱10,583.27 million, respectively, net of estimated share issuance cost amounting to ₱48.33 million.

3. Other pro-forma amounting to ₱1,104.77 million have been made to take into account the different assumptions in the pro-forma statement of financial position which already include the execution of Property-for-Share Swap Agreement and the pro-forma statement of comprehensive income which assumed the transactions discussed in Section 3.II occurred as of January 1, 2021.

V. Pro-forma adjustments to the pro-forma statement of changes in equity for the year ended December 31, 2020

1. Pro-forma net income

   Included the pro-forma net income as reflected in the pro-forma statement of comprehensive income for the year ended December 31, 2020 as discussed in Section 3.III.

2. Issuance of new shares

   Pro-forma adjustments have been made to reflect the issuance of 483,254,375 common shares with an exchange price of ₱32 pesos per share at ₱10 par value related to the execution of Property for Share Swap Agreement which resulted to the recognition of capital stock and additional paid-in capital amounting to ₱4,832.54 million and ₱10,583.27 million, respectively, net of estimated share issuance cost amounting to ₱48.33 million.

3. Other pro-forma adjustments amounting to ₱1,883.46 million have been made to take into account the different assumptions in the pro-forma statement of financial position which assumes the significant transactions occurred at end of the period and the pro-forma statement of comprehensive income which assumed the significant transactions discussed in Section 3.III occurred as of January 1, 2020.

VI. Pro-forma adjustments to the pro-forma statement of cash flows for the six months ended June 30, 2021

For the purpose of the pro-forma statement of cash flows for the six months ended June 30, 2021, the execution of the Property-for-share Swap Agreement and execution of Lease Agreement with NECC assumed to have occurred on January 1, 2021. The acquisitions of the Laguna Technopark Land Parcels and The 30th Commercial Development are no longer considered since these are already reflected in the June 30, 2021 interim statement of cash flows of the Company.

1. Pro-forma adjustments have been made to include the balances of the acquired Properties' statement of cash flows for the six months ended June 30, 2021 into the pro-forma statement of cash flow as follows:

   a) Pro-forma adjustment relating to pro-forma income before income tax as discussed in Section 3.II;
   b) Pro-forma adjustment for the non-cash gain in fair value change in investment properties amounting to ₱189.92 million;
   c) Pro-forma adjustment for the non-cash interest expense from accretion of lease liabilities to ₱11.52 million;
   d) Pro-forma adjustment arising from interest income from finance lease receivables amounting to ₱22.17 million;
   e) Decrease in accounts and other payables related to the transaction costs paid for the execution of the Property-for-Share Swap Agreement amounting to ₱228.83 million;
   f) Increase in deposits and other liabilities amounting arising from receipt of advance rent and security deposits amounting to ₱381.60 million and ₱305.89 million, respectively;
   g) Increase in construction bonds amounting to ₱49.92 million.

2. Other pro-forma adjustments amounting to ₱749.39 million have been made to take into account the different assumptions in the pro-forma statement of financial position which already include the execution of Property-for-Share Swap Agreement, execution of Deed of Assignment and execution of Lease Agreements at the end of the period and the pro-forma statement of cash flows which assumed the transaction occurred on January 1, 2021.

VII. Pro-forma adjustments to the pro-forma statement of cash flows for the period ended December 31, 2020

For the purpose of the pro-forma statement of cash flows for the year ended December 31, 2020, the execution of Property-for-Share Swap Agreement, execution of Lease Agreement with NECC, acquisition of the Laguna Technopark Land Parcels and The 30th Commercial Development are assumed to have occurred on January 1, 2020.

1. Pro-forma adjustments have been made to include the balances of the acquired Properties' statement of cash flows for the period ended December 31, 2020 into the pro-forma statement of cash flows as follows:

   a) Pro-forma adjustment relating to pro-forma income before income tax as discussed in Section 3.II;
   b) Pro-forma adjustment for the non-cash gain in fair value change in investment properties amounting to ₱386.25 million;
   c) Pro-forma adjustment for the non-cash interest expense from accretion of lease liabilities to ₱23.04 million;
   d) Pro-forma adjustment for the interest income from finance lease receivables amounting to ₱74.72 million;
   e) Decrease in accounts and other payables related to the transaction costs paid for the execution of the Property-for-Share Swap Agreement amounting to ₱228.83 million;

f) Increase in deposits and other liabilities amounting arising from receipt of advance rent and security deposits amounting to ₱381.60 million and ₱305.89 million, respectively;
g) Increase in construction bonds amounting to ₱49.92 million;
h) Pro-forma adjustment for payments made in relation to the acquisition of Laguna Technopark Land Parcels and The 30th Commercial Development amounting to ₱997.98 million and ₱4,564.34 million, respectively.

2. Other pro-forma adjustments amounting to ₱3,838.21 million have been made to take into account the different assumptions in the pro-forma statement of financial position which already include the execution of Property-for-Share Swap Agreement, execution of Lease Agreement with NECC, Acquisition of the Laguna Technopark Land Parcels and The 30th Commercial Development at the end of the period and the pro-forma statement of cash flows which assumed the transaction occurred on January 1, 2020.

4. **Pro-Forma Earnings Per Share**

The Company's pro-forma basic/diluted earnings per share for the six months ended June 30, 2021 and year ended December 31, 2020 are computed as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Unaudited)
Pro-forma net income	₱2,216,540,215	₱8,148,268,631
Divided by pro-forma weighted average number of common shares	1,508,910,810	1,479,405,605
Pro-forma Basic/Diluted earnings per share	₱1.47	₱5.51

For the purpose of the calculation of pro-forma basic/diluted earnings per share, the issuance of shares of stocks for the share swap transaction is assumed to have occurred on January 1, 2021 and January 1, 2020.

The Company's historical basic/diluted earnings per share is computed as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (As restated, Note 2)
Net income	₱1,314,909,628	₱6,264,814,788
Divided by weighted average number of common shares	1,025,656,435	996,151,230
Basic/Diluted earnings per share	₱1.28	₱6.29

The Company also assessed that there were no potential dilutive common shares as of June 30, 2021 and December 31, 2020.

The adjustment to voluntary change the Company's accounting of investment properties from cost to fair value method includes a reversal of deferred tax liabilities amounting to ₱3.39 billion after its listing on August 13, 2020 (see Note 2). This resulted in an increase in the net income by the same amount with corresponding increase in the restated historical and pro-forma basic/diluted earnings per share by ₱3.40 per share and ₱2.29 per share, respectively.

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* engaged as independent counsel for the limited purpose of issuing an opinion on certain matters relating to the legality of the Offer and tax matters required by the SEC.