PSE Number:
SEC Number: CS200613870
File Number: ________

AREIT, INC.

(Company's Full Name)

28F, Tower One, Ayala Triangle
Ayala Avenue, Makati City 1226

(Company Address)

(632) 7908-3804

(Telephone Number)

December 31, 2020

(Year Ending)

Annual Report- SEC Form 17-A

(Form Type)

-

(Amendments – if applicable)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2020**

2. Commission Identification Number **CS200613870**

3. BIR Tax Identification No. **006-346-689-000**

4. Exact name of issuer as specified in its charter: **AREIT, INC.**

5. Province, Country or other jurisdiction of incorporation or organization:
Makati City, Philippines

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

7. Address of issuer's principal office and postal code:
28F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226

8. Issuer's telephone number, including area code: **(632) 7908-3804**

9. Former name, former address, former fiscal year: **Not applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

As of December 31, 2020

Title of each class	Number of shares issued and outstanding
Common shares	**1,025,656,435**

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

Stock Exchange: **Philippine Stock Exchange**
Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

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

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

13. Aggregate market value of the voting stock held by non-affiliates: 562,236,635

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

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

    Yes [ ]   No [ ]   **Not applicable**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

    <u>2020 Audited Financial Statements </u>(incorporated as reference for Items 6, 7 &12 of SEC Form 17-A)

TABLE OF CONTENTS

		Page No.
PART I -	BUSINESS	
Item 1.	Business	5
Item 2.	Properties	7
Item 3.	Legal Proceedings	7
Item 4.	Submission of Matters to a Vote of Security Holders	8
PART II -	SECURITIES OF THE REGISTRANT	
Item 5.	Market for Issuer's Common Equity and Related Stockholder Matters	9
PART III -	FINANCIAL INFORMATION	
Item 6.	Management's Discussion and Analysis and Results of Operation	12
Item 7.	Financial Statements	19
Item 8.	Information on Independent Accountant and Other Related Matters	19
PART IV -	MANAGEMENT AND CERTAIN SECURITY HOLDERS	
Item 9.	Directors and Executive Officers of the Issuer	20
Item 10.	Executive Compensation	24
Item 11.	Security Ownership of Certain Beneficial Owners and Management	25
Item 12.	Certain Relationships and Related Transactions	27
PART V -	CORPORATE GOVERNANCE	
Item 13.	Compliance with Leading Practice on Corporate Governance	35
EXHIBITS AND SCHEDULES		
Item 14.	Exhibits and Reports on SEC Form 17-C	
	(a) Exhibits	36
	(b) Reports on SEC Form 17-C	
SIGNATURES		38
INDEX TO EXHIBITS		39
INDEX TO SUPPLEMENTARY SCHEDULES		40

PART I- BUSINESS

Item 1. Business- *Description of Business*

Background

AREIT, Inc. ("**AREIT**") is a real estate investment trust company established in the Philippines. Previously known as One Dela Rosa Property Development, Inc., the Company changed its name to AyalaLand REIT, Inc. on April 12, 2019. On June 28, 2019, the Company changed its name from AyalaLand REIT, Inc. to AREIT, Inc. With its initial public offering in August 13, 2020, AREIT became the first Real Estate Investment Trust (REIT) in the country.

As of December 31, 2020, AREIT is 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. AREIT is listed with a total of 1,025,656,435 outstanding common shares. AREIT has a total market capitalization of ₱30.1 billion based on the closing price of ₱29.35 per common share on December 30, 2020, the last trading day of the year.

AREIT is a REIT formed primarily to own and invest in income-producing commercial portfolio of office, retail, and hotel properties in the Philippines, that meets its investment criteria. Primarily, AREIT is the commercial REIT platform for Ayala Land. As a commercial REIT, AREIT will focus on expanding its office, mall, and hotel properties. However, if the opportunity arises, AREIT may also explore other types of real estate properties available in the market. AREIT offers Shareholders an investment opportunity with a stable yield, opportunities for Gross Revenue and Net Operating Income growth, high-quality properties with strong tenant demand, strong Sponsor support from Ayala Land, experienced management with incentive to grow our Company's Gross Revenue and Net Operating Income, and distribution of at least 90% of our Company's Distributable Income.

Products/ Business Lines

AREIT is engaged in the business of commercial leasing of primarily retail, and office spaces. Most of the commercial office lease agreements for AREIT's properties are for tenancy periods of between five and ten years. Tenants of the properties typically pay a security deposit equal to three months' rent and advance rental payments equivalent to three months' rent upon handover of the leased premises or signing of the lease agreement, whichever comes first. Tenant of the properties generally pay monthly rent as well as a monthly service charge of the maintenance of the building and the upkeep of the common areas. AREIT collects rent on a quarterly basis.

AREIT's properties has not historically experienced a high concentration of lease expiries. The properties enjoy very high occupancy levels and lease renewals and new leases are managed diligently in order to minimize void periods arising due to either lease expiries or early terminations. The properties are likewise occupied by high-quality office tenants that provide the properties a stable tenant base.

Distribution Methods of Services

AREIT caters to retail and office tenants. As of December 31, 2020, commercial office space comprised approximately 79% of the total gross leasable area of the properties. The major tenants of the properties, include major, international corporations engaged in shared services, serviced apartments, business process outsourcing, banking and finance, insurance, and healthcare and pharmaceuticals.

Competition

AREIT is the first real estate investment trust (REIT) company registered and listed in the Philippines, and the launched amidst the COVID-19 pandemic. As of December 31, 2020, no other company has been registered and listed as a real estate investment trust company in the Philippines.

Suppliers

The Company has a broad base of suppliers, and is not dependent on one or a limited number of suppliers.

Customers

AREIT's retail and office tenants include individual and institutional customers, which include major, international corporations engaged in shared services, serviced apartments, business process outsourcing, banking and finance, insurance, and healthcare and pharmaceuticals.

Transactions with related parties
Please refer to Item 12 of this report ("Certain Relationships and Related Transactions).

Government approvals/regulations

The Company secures various government approvals such as PEZA licenses, environmental compliance certificates, development permits, etc. as part of the normal course of its business.

Risks

AREIT, Inc. is highly dependent on the performance of the Philippine property market since all its Properties are located in the Philippines. Thus, the Company is directly affected by the risks that affect the Philippine property market as a whole.

Many factors contribute to fluctuations in the Philippine property market including the general demand and supply of properties which may cause asset price bubbles, increases and decreases in interest rates, inflationary pressures, Government-related real estate policies such as the recent lower loan-to-value ratios for commercial real estate loans and the BSP's tightening of policies related to real estate loans. Any decline in the value of land or real estate in the Philippines may lead to a downward revaluation of AREIT's Properties and a decrease in our rental rates. Additionally, the Properties are currently all located in Metro Manila and Luzon, which subjects AREIT to the risk of a decline in land or real estate values.

There can be no assurance that the Philippine property market will continue to do well. Reduced levels of economic growth, adverse changes in the country's political or security conditions, or weaker performance of, or slowdown in, the national and local property markets may still adversely affect the demand and prices for our land developments and real estate. In particular, the global economic downturn resulting from the COVID-19 pandemic has resulted in an economic slowdown and negative business sentiment, which may have an adverse effect on the outlook on the Philippine property market and lead to an adverse change in the Philippines' macroeconomic situation generally, which could materially and adversely affect our results of operations. We cannot foresee when the disruptions of business activities caused by the outbreak of COVID-19 will cease.

Our risk is mitigated by our focus on Grade A commercial buildings located in prime locations. Our Properties are situated in the Makati CBD which is the economic center of the country and boasts the highest rental rates in Metro Manila. As such it is less susceptible to market fluctuations. In any event, we also take a prudent approach to financial management and cost control, closely monitoring our capital and cash positions and maintaining discipline in our capital commitments.

Other risks that the company may be exposed to are the following:

- Changes in Philippine and international interest rates
- Changes in the value of the Peso versus other currencies
- Changes in construction material and labor costs, power rates and other costs
- Changes in laws and regulations that apply to the Philippine real estate industry
- Changes in the country's political and economic conditions

- Changes in the country’s liquidity and credit exposures

To mitigate the above-mentioned risks, AREIT shall continue to adopt appropriate risk management tools as well as conservative financial and operational controls and policies to manage the various business risks it faces.

Working Capital

AREIT finances its working capital requirements through internally-generated cash.

Item 2. Properties

- ***Solaris One***, a 24-storey, Grade A, PEZA-accredited commercial building previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sqm. of Gross Leasable Area, and 73,322 sqm. of gross floor area and is located at 130 Dela Rosa Street, Legaspi Village, Makati City, the Philippines.

- ***Ayala North Exchange***, a Grade A, mixed-use development, previously known as project City Gate, which consists of two towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of 12-storey HQ Office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. There are six levels of basement parking. Both office towers are PEZA-accredited. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively. The Gross Leasable Area of Ayala North Exchange is 95,300.35 sqm. and its gross floor area is 120,154 sqm. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines.

- ***McKinley Exchange***, a 5-storey Grade A, PEZA-accredited mixed-use development, which began operations in 2015, with Gross Leasable Area of 10,687.50 sq. m., 9,633.32 sqm. of which is designated for commercial office leasing, and gross floor area of 14,598.40 sqm., on a plot of land with an area of 4,513 sqm., located along McKinley Road corner EDSA in Makati, Metro Manila's preeminent financial business district. The building also incorporates two (2) basement levels for car parking, offering a total of 120 parking slots. On January 31, 2020, AREIT entered into a Contract of Lease with the Sponsor for the lease of the office and retail building.

- ***Teleperformance Cebu***, a Grade A, mixed-use development owned by APRC, a wholly-owned Subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2011 with a combined GLA of 18,092.66 sqm located at Inez Villa Street, Cebu I.T. Park, Brgy. Apas, Cebu City.

Item 3. Legal Proceedings

None of the directors or executive officers is involved in any material legal proceedings in any court or administrative agency.

As of December 31, 2020, AREIT is not involved in any litigation regarding an event which occurred during the past five (5) years that they consider material.

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

Other than the matters taken up during the Annual Meeting of the Stockholders, the following matters were submitted to a vote of security holders during the Special Stockholders' Meeting of the Company last 05 February 2020:

a. Appointment of Escrow Agent, Financial Advisor, Issue Manager, Lead Advisor, and Stock Transfer Agent, in connection with the registration and listing of the securities of the Company for its Initial Public Offering;
b. Approval of the public offering and specifying the number of shares to be offered to the public; and
c. Application for registration and licensing of the Company's shares with the Securities and Exchange Commission, and application for listing of the Company's shares with the Philippine Stock Exchange, and appointing the authorized persons to such Registration Statement and Listing Application, and other documents related to the Initial Public Offering.

PART II- SECURITIES OF THE REGISTRANT

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

Market Information

AREIT common shares are listed with the Philippine Stock Exchange.

Philippine Stock Exchange
Prices (in PhP/share)

	High 2020	Low 2020	Close 2020
First Quarter	-	-	-
Second Quarter	-	-	-
Third Quarter	27.00	23.85	25.80
Fourth Quarter	30.00	25.50	29.35

The market capitalization of AREIT, Inc as of end-2020, based on the closing price of ₱29.35/share, was approximately ₱30.1 billion.

The price information as of the close of the latest practicable trading date April 14, 2021 is ₱34.00 per share.

Stockholders

The Company has 13 registered stockholders as of January 31, 2021.

	Stockholder Name	**No. of Common Shares**	**Percentage (of common shares)**
1.	PCD Nominee Corporation (Filipino)	432,309,417*	42.14953%
2.	Ayala Land, Inc.	426,792,293	41.61162%
3.	Ayalaland Offices, Inc.	96,292,435	9.38837%
4.	PCD Nominee Corporation (Non-Filipino)	70,202,983	6.84469%
5.	Jose Emilio Bidan Jamir and/or Maricris Concepcion Advincula Jamir	52,000	0.0050%
6.	Sylvette Young Tankiang	7,300	0.0007%
7.	Bernard Vincent O. Dy	1	0.0000%
8.	Omar T. Cruz	1	0.0000%
9.	Carol T. Mills	1	0.0000%
10.	Jose Emmanuel H. Jalandoni	1	0.0000%
11.	Simeon S. Cua	1	0.0000%
12.	Enrico S. Cruz	1	0.0000%
13.	Augusto D. Bengzon	1	0.0000%

**inclusive of the 35,184,800 indirect shares of Ayala Land, Inc. and 3,528,507 indirect shares of the directors and officers.*

Dividends

CASH DIVIDEND (Per Common Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
25.96	September 26, 2018*	September 26, 2018*	2018
0.09	March 25, 2019*	April 24, 2019*	April 24,2019
0.01	December 19, 2019*	December 19, 2019	December 19, 2019
0.28	Aug. 17, 2020	Sept. 02, 2020	Sept. 15, 2020
0.31	Aug. 17, 2020	Sept. 02, 2020	Sept. 15, 2020
0.34	Nov. 17, 2020	Dec. 07, 2020	Dec 17, 2020
0.39	Feb. 24, 2020	Mar. 15, 2021	Mar. 25, 2021

**during the period when the company was not a publicly listed company.*

On September 26, 2018, the Company also declared a 5% coupon dividend amounting to P48.5M to Preferred B stockholders of record as of October 26, 2017. The Preferred B Shares of the Company were fully redeemed on September 26, 2018.

Dividend policy

The Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company's shareholders are entitled to receive at least 90% of annual Distributable Income for the current year. For 2020, the first year that the Company has been listed as a REIT Company, total dividends declared amounted to ₱1,353.87 million representing 111% of the Distributable Income for the year:

Net Income	1,227,184,313
Less: Distribution Adjustment	(3,293,073)
Distributable Income	**1,223,891,240**

For 2020, dividends declared were as follows:

Payment Date	**Aggregate Amount Paid**
September 15, 2020	605,137,296.65
December 17, 2020	348,723,187.90
March 25, 2021*	400,006,009.65
Total Amount of Dividends Paid	**1,353,866,494.20**
% of Dividends to Distributable Income	**111%**

**As per Section 10 of Revenue Regulation NO. 13-2011, as amended, dividends distributed by a REIT from its distributable income at any time after the close of but not later than the last day of the fifth (5th) month from the close of the taxable year, shall be considered as paid on the last day of such taxable year.*

Dividends were declared in accordance with the provisions of Section 42 of the Revised Corporation Code, specifically that dividends for prior years were taken from the unrestricted retained earnings of the Company.

The Company intends to maintain an annual cash dividend payout ratio of at least 90% of Distributable Income for the preceding fiscal year, subject to compliance with the requirements of the REIT Law, including but not limited to the requirement that the dividends shall be payable only from the unrestricted retained earnings as provided for under Section 42 of the Revised Corporation Code, among others, the terms and conditions of our outstanding loan facilities, and the absence of circumstances which may restrict the payment of such amount of dividends, including, but not limited to, instances when there is a need for special reserves for probable contingencies.

The failure to distribute at least 90% of the annual Distributable Income will subject the Company, if such failure remains un-remedied within 30 days, to income tax on the taxable net income as defined in Chapter IV, Title II of the National Internal Revenue Code, as amended, instead of the taxable net income as defined in the REIT Law. Accordingly, dividends distributed by our Company may be disallowed as a deduction for purposes of determining taxable net income. Additionally, other tax incentives granted under the REIT Law may be revoked, and the failure to distribute at least 90% of the annual Distributable Income may be a ground to delist the Company from the PSE.

Over the last three years, prior to its listing as a REIT company, the Company has distributed at least 85% of the prior year's net income:

	Dividends	**Prior Year Net Income**	**% of Dividends**
2017	362,500,000	425,775,536	85%
2018	384,000,000	446,780,761	86%
2019	961,297,669	537,091,374	179%

Recent Sale of Securities

The Company has not sold or issued any exempt securities to the public.

Corporate Governance

i. The evaluation system which was established to measure or determine the level of compliance of the Board and top-level management with its Revised Manual of Corporate Governance includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer. The first Integrated Annual Corporate Governance (I-ACGR) of AREIT will be submitted to the SEC on or before May 30, 2021.

ii. To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

iii. There were no deviations from the Company's Revised Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.

iv. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

PART III- FINANCIAL INFORMATION

Item 6. Management's Discussion and Analysis and Results of Operation

Review of 2020 operations vs 2019

In 2020, net income after tax of AREIT, Inc. (AREIT or "the Company") decreased by 3% from ₱1,261.41 million in 2019 to ₱1,227.18 million in 2020. The decrease was primarily driven by the one-time gain from finance lease recognized in 2019 amounting to ₱397.14 million.

Revenues
Total revenues increased by 25% from ₱1,563.08 million in 2019 to ₱1,951.63 million in 2020. This was mainly driven by higher rental income and net dues.

Rental Income increased by 13% from ₱1,323.92 million in 2019 to ₱1,495.72 million in 2020. The increase was primarily attributable to the addition of McKinley Exchange Corporate Center and Teleperformance Cebu in the Company's property portfolio in February and October 2020, respectively.

Dues increased by 59% from ₱192.32 million in 2019 to ₱305.09 million in 2020. The increase was due to lower utilities consumption and lower manpower deployment during quarantine period.

Interest income from finance lease receivables increased significantly from ₱46.84 million in 2019 to ₱150.81 million in 2020. This is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019.

Cost and Expenses
Direct operating expenses increased by 34% from ₱436.02 million in 2019 to ₱585.30 million in 2020. The increase was primarily attributable to an increase in management fee of ₱62.31 million, an increase in taxes and licenses of ₱38.18 million, an increase in depreciation of ₱34.95 million and an increase in land lease of ₱13.03 million. These increases were related to the operations of McKinley Exchange Corporate Center and Teleperformance Cebu.

General and administrative expenses increased by 249% from ₱14.18 million in 2019 to ₱49.47 million in 2020, mainly due to costs incurred for the Company's initial public offering (IPO).

Other Income (charges)
Interest Income increased by 35% from ₱58.26 million in 2019 to ₱78.67 million in 2020. The increase was primarily attributable to the increase in interest income from intercompany loans from ₱57.95 million in 2019 to ₱78.31 million in 2020.

Interest expense significantly increased by 421% from ₱12.56 million in 2019 to ₱65.42 million in 2020. The increase was primarily attributable to the recognition of interest expense on lease liabilities amounting to ₱51.49 million in 2020.

Provision for Income Tax
Provision for income tax decreased by 64% from ₱294.45 million in 2019 to ₱106.58 million in 2020. This decrease was mainly due to derecognition of deferred taxes.

Capital Expenditure
AREIT acquired Teleperformance Cebu from ALO Prime Realty Corporation, a wholly-owned subsidiary of Ayala Land, Inc. on September 15, 2020 for a total amount of ₱1,450.00 million.

Causes for any material changes (+/- 5% or more) in the financial statements

<u>Balance Sheet items</u> **- December 2020 versus December 2019**

Cash lower by 52% primarily due to cash outflow from investing activities (intercompany loans and additional investment properties).

Receivables increased by 20% mainly due to additional intercompany loans.

Other current assets increased by 78% due to higher input VAT and creditable withholding taxes.

Investment properties up by 34% due to the acquisition of Teleperformance Cebu building and right-of-use-asset for the lease of McKinley Exchange Corporate Center.

Accounts and other payables increased by 87% due to increase in due to related parties, primarily for fund and property management fees.

Current portion of deposits and other liabilities lower by 22% due to application of advance rent to tenant's current charges.

Construction bonds Nil in 2020 due to refund to tenants.

Noncurrent liabilities increased by 134% due to PFRS 16 recognition of lease liability

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Financial Condition

The Company's balance sheet remains healthy to support the financial and operational requirements during this period.

The Company has no debt as of December 31, 2020.

Return on equity was at 11% as of December 31, 2020.

<u>Key Financial Ratios</u>	**2020**	**2019**
Current Ratio (1)	3.72	4.35
Debt to Equity (2)	-	-
Profitability Ratios		
Return on Asset (3)	9%	11%
Return on Equity (4)	11%	12%
Asset to Equity Ratio (5)	1.19	1.11

(1) Current assets/current liabilities
(2) Total debt/Average Stockholder's equity
(3) Total Net Income/Total Average Assets
(4) Total Net Income/Average Stockholder's equity
(5) Total asset/Total Stockholder's equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.

- Funding will be sourced from internally-generated funds and bank loans

- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business

- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.

- There is no significant element of income arising from continuing operations.

- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.

- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

Operational and financial impact of COVID19

All of the Company's properties were operational throughout 2020, including the period when the Enhanced Community Quarantine was imposed. Office occupancy was stable with no waivers or pre-terminations. The serviced residences in Ayala North Exchange remained open as well and continued to pay a fixed lease. Retain tenants that were affected by the government-imposed community quarantines were granted rent concessions, in accordance with government guidelines, amounting to ₱37.59 million.

Summary of Real Estate transactions for 2020

Other than the usual lease contracts entered into with tenants, and the existing land leases with landowners, on January 31, 2020, the Company entered into a contract of lease with Ayala Land, Inc., wherein the leased the building known as McKinley Exchange Corporate Center (MECC) and the land on which it is built, for an initial monthly rent of ₱2,733,078 per month, subject to annual escalation of 5% per annum, with the lease commencing on February 1, 2020, and existing for a period of 34 years.

Likewise, on September 15, 2020, the Company and ALO Prime Realty Corporation (APRC) entered into a Deed of Absolute Sale wherein APRC sold, conveyed, transferred, assigned, and delivered to the Company a 12-storey building, inclusive of two (2) basement parking levels, located at Inez Villa Street, Cebu I.T. Park, Barangay Apas, Cebu City (Teleperformance Cebu), for a consideration amounting to ₱1,450.00 million, inclusive of value-added taxes.

Property Performance (as of December 31, 2020)

	Solaris	Ayala North Exchange	MECC	TP Cebu
Location	Makati	Makati	Makati	Cebu
Acquisition cost (in millions)	₱1,767 M	₱6,913 M	n/a	₱1,450 M
Valuation cost (in millions)	₱12,537 M	₱13,810 M	₱2,072 M	₱2,510 M
Occupancy rates	95%	98%	100%	100%
WALE (years)	4	13	2	6
Remaining Land lease term	27	37	33	30
Revenue Contribution in Year 2020	*40%*	*51%*	*6%*	*3%*
Cost contribution in Year 2020	*30%*	*62%*	*5%*	*3%*

Valuation cost per Appraisal reports dated June 2020, except for Teleperformance Cebu dated March 2021

	Solaris	Ayala North Exchange	MECC	TP Cebu	Total
Rental Income	₱544 M	₱919 M	₱97 M	₱38 M	₱1,599 M
Gross Revenues	₱781 M	₱1,000 M	₱119 M	₱52 M	₱1,952 M
	40%	*51%*	*6%*	*3%*	
DOE	₱127 M	₱220 M	₱7 M	₱7 M	
Depreciation	₱46 M	₱145 M	₱22 M	₱13 M	
	₱173 M	₱364 M	₱29 M	₱19 M	₱585 M
	30%	*62%*	*5%*	*3%*	

<u>Review of 2019 operations vs 2018</u>

AREIT's net income increased by 135% from ₱537.09 million in 2018 to ₱1,261.41 million in 2019. Growth was primarily driven by rental income from Ayala North Exchange which AREIT acquired in October 2018 and from the one-time gain from finance lease recognized in 2019 amounting to ₱397.14 million.

Revenues
Total revenues increased by 81% from ₱865.33 million in 2018 to ₱1,563.08 million in 2019. This was mainly driven by higher rental income and net dues.

Rental Income increased by 90% from ₱696.02 million in 2018 to ₱1,323.92 million in 2019. The increase was primarily attributable to the addition of Ayala North Exchange to in October 2018.

Dues increased by 14% from ₱169.31 million in 2018 to ₱192.32 million in 2019. The increase was primarily attributable to dues from new tenants in Ayala North Exchange.

Interest income from finance lease receivables amounted to ₱46.84 million in 2019. This is in connection with the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019.

Costs and expenses
Direct operating expenses increased by 141% from ₱181.01 million in 2018 to ₱436.02 million in 2019. The increase was primarily attributable to an increase in depreciation of ₱114.63 million, an increase in taxes and licenses of ₱67.10 million, an increase in land lease costs of ₱57.88 million, in management fee

of ₱8.27 million, and an increase in insurance of ₱4.51 million. These increases were related to the operations of Ayala North Exchange.

General and administrative expenses increased by 240%, from ₱4.17 million in 2019 to ₱14.18 million in 2020, mainly due to higher professional fees.

Other income (charges)
Gain under finance lease amounted to ₱397.14 million in 2019. In 2019, AREIT entered into a long-term building lease agreement with Makati North Hotel Ventures, Inc. for the lease of a portion of Ayala North Exchange.

Interest income increased by 239% from ₱17.17 million in 2018 to ₱58.26 million in 2019. The increase was primary attributable to the increase in interest income from intercompany loans of ₱40.87 million.

Interest expense decreased from ₱16.81 million in 2018 to ₱12.56 million in 2019. Interest expense pertains to the accretion of security deposits from new tenants.

Provisions for income tax
Provision for income taxes increased by 105% from ₱143.77 million in 2018 to ₱294.45 million in 2019 following a higher taxable base.

Causes for any material changes (+/- 5% or more) in the financial statements

Balance Sheet items - December **2019 versus December 2018**

Cash increased by 368% primarily due to higher cashflows from operating activities.

Other current assets increased by 33% due to higher input VAT and creditable withholding taxes.

Receivables (noncurrent portion) increased significantly due to the recognition of finance lease receivable for the lease of a portion of Ayala North Exchange Makati North Hotel Ventures, Inc.

Investment properties decreased by 24% as the carrying amount of the portion of Ayala North Exchange under finance lease was removed from investment properties.

Accounts and other payables decreased by 20% due to lower taxes payable.

Income tax payable increased by 22% due to higher provision for income tax.

Construction bonds increased by 306% due to bonds from new tenants in Ayala North Exchange.

Financial Condition

The Company's balance sheet remains healthy to support the financial and operational requirements during this period.

The Company has no debt as of December 31, 2019.

Return on equity was at 12% as of December 31, 2019.

Key Financial Ratios	2019	2018
Current Ratio [1]	4.35	4.93
Debt to Equity [2]	-	-
Profitability Ratios		
Return on Asset [3]	11%	8%
Return on Equity [4]	12%	9%
Asset to Equity Ratio [5]	1.11	1.10

[1] Current assets/current liabilities
[2] Total debt/Average Stockholder's equity
[3] Total Net Income/Total Average Assets
[4] Total Net Income/Average Stockholder's equity
[5] Total asset/Total Stockholder's equity

Review of 2018 operations vs 2017

AREIT posted a net income of ₱537.09 million in 2018, representing an earnings growth of 20% for the year. Growth was driven by the rental income from Ayala North Exchange, which was acquired in October 2018 and from annual rent escalations of leases in Solaris One.

Revenues
Total revenue increased by 24% from ₱698.20 million in 2017 to ₱865.33 million in 2018.

Rental Income increased by 26% from ₱551.97 million in 2017 to ₱696.02 million in 2018. The increase was primarily attributable to income from Ayala North Exchange.

Dues increased by 16% from ₱146.24 million in 2017 to ₱169.31 million in 2018. The increase was primarily attributable to dues from new tenants in Ayala North Exchange

Costs and expenses
Direct operating expenses increased by 24% from ₱145.44 million in 2017 to ₱181.01 million in 2018. The increase was primarily attributable to an increase in depreciation of ₱28.69 million and an increase in land lease costs of ₱4.08 million. These increases were related to the start of operations of Ayala North Exchange.

General and administrative expenses decreased by 27% from ₱5.71 million in 2017 to ₱4.17 million in 2018 due to lower taxes and licenses paid in 2018.

Other income (charges)
Interest income increased by 71% from ₱10.06 million in 2017 to ₱17.17 million in 2018 due to a higher loan extended to Related Parties.

Interest expense increased significantly from ₱4.02 million in 2017 to ₱16.81 million in 2018 due to the accretion of security deposits from new tenants of Ayala North Exchange.

Provisions for income tax
Provision for income taxes increased by 35% from ₱106.88 million in 2017 to ₱143.77 million in 2018 following a higher taxable base.

Capital Expenditure
AREIT acquired Ayala North Exchange from Ayala Land, Inc. through a Deed of Assignment executed on October 5, 2018 for a consideration amounting to approximately P6,913.00 million.

Causes for any material changes (+/- 5% or more) in the financial statements

***Balance Sheet items - December* 2018 versus December 2017**

Cash increased by 52% primarily due to higher cash from financing activities.

Receivables (current portion) increased by 349% mainly due to higher receivables from Related Parties.

Other current assets increased by 62% due to higher input VAT and creditable withholding taxes.

Receivables (noncurrent portion) increased by 141% due to higher accrued rent resulting from the straight-line method of recognizing rental income.

Investment properties increased significantly due to the acquisition of Ayala North Exchange in October 2018.

Property and equipment decreased by 55% due to annual depreciation of equipment.

Other noncurrent assets increased significantly due to higher input VAT and creditable withholding taxe2018, respectively.

Accounts and other payables increased significantly due to higher taxes payable and payables to related parties.

Income tax payable increased by 174% due to higher provision for income tax.

Noncurrent liabilities increased by 159% due to advance rentals and security deposits received from new tenants of Ayala North Exchange.

Financial Condition

The Company's balance sheet remains healthy to support the financial and operational requirements during this period.

The Company has no debt as of December 31, 2018.

Return on equity was at 12% as of December 31, 2019.

Key Financial Ratios	**2018**	**2017**
Current Ratio (1)	4.93	6.16
Debt to Equity (2)	-	-
Profitability Ratios		
Return on Asset (3)	8%	23%
Return on Equity (4)	9%	27%
Asset to Equity Ratio (5)	1.10	1.20

(1) Current assets/current liabilities
(2) Total debt/Average Stockholder's equity
(3) Total Net Income/Total Asset
(4) Total Net Income/Average Stockholder's equity
(5) Total asset/Total Stockholder's equity

Item 7. Financial Statements

The 2020 Audited Financial Statements of the Company are incorporated in the accompanying Index to Exhibits.

Item 8. Information on Independent Accountant and Other Related Matters

Independent Public Accountants

(a) The principal accountant and external auditor of the Company is SyCip Gorres Velayo & Co. (SGV & Co.). The same accounting firm is being recommended for re-appointment at the annual stockholders' meeting.

(b) Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to participate at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor, and Mr. Dolmar C. Montañez is the Partner-in-Charge for the audit years 2016 to 2020.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There were no disagreements with the SGV & Co. on any matter of accounting and financial disclosure.

(c) **Audit and Audit- Related Fees**

AREIT paid its external auditor the following fees in the past two years: (in Php million; with VAT)

Year	Audit & Audit-related Fees	Tax Fees	Other Fees
2020	699,562.50	-	3,453,432.50
2019	682,500.00	-	945,000.00

(d) **Tax Fees**

No tax consultancy services were secured from entities other than the external auditor, and no other fees were paid for tax consultancy services.

Under paragraph 3.3 (a) of the AREIT Audit Committee Charter, the Audit Committee (composed of Enrico S. Cruz, Chairman, Omar T. Cruz and Augusto D. Bengzon, members) recommends to the Board the appointment of the external auditor and the audit fees.

(e) **Other Fees**

For 2019 and 2020, other fees paid to SGV is higher than the audit and audit-related fees due to the engagement of SGV as external auditor for the registration with the SEC, and the listing with the PSE, of AREIT as a real estate investment trust company, and its initial public offering.

PART IV- MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9. Directors and Executive Officers of the Registrant

The write-ups below include positions held as of December 31, 2020 and in the past five years, and personal data as of December 31, 2020 of directors and executive officers.

Board of Directors

Jose Emmanuel H. Jalandoni, Chairman of the Board
Carol T. Mills, President and Chief Executive Officer
Bernard Vincent O. Dy
Augusto D. Bengzon
Omar T. Cruz
Enrico S. Cruz
Simeon S. Cua

Jose Emmanuel H. Jalandoni, Filipino, 53, has served as the Chairman of the Board of AREIT, Inc. since February 5, 2020. He is a Senior Vice President and a member of the Management Committee, and the Group Head of commercial businesses including malls, offices, hotels, resorts of Ayala Land, Inc. He is Chairman of AyalaLand Logistics Holdings Corp. and Director of Cebu Holdings, Inc., publicly listed subsidiaries of ALI. His other significant positions are: Chairman of the Board of ALI Capital Corporation, ALI Commercial Center, Inc., ALI Makati Hotel and Residences, Inc., ALI Makati Hotel Property, Inc., ALI Triangle Hotel Ventures, Inc., Arca South Hotel Ventures, Inc., AsiaTown Hotel Ventures, Inc., Ayala Hotels, Inc., AyalaLand Hotels and Resorts Corporation, AyalaLand Medical Facilities Leasing, Inc., AyalaLand Offices, Inc., Bacuit Bay Development Corporation, Bay Area Hotel Ventures, Inc., Bonifacio Hotel Ventures, Inc., Capitol Central Hotel Ventures, Inc., Cebu Insular Hotel Company, Inc., Central Bloc Hotel Ventures, Inc. Chirica Resorts Corporation, Circuit Makati Hotel Ventures, Inc., Direct Power Services, Inc., Ecoholdings Company Inc., Econorth Resort Ventures, Inc., EcoSouth Hotel Ventures, Inc., Enjay Hotels, Inc., Greenhaven Property Ventures, Inc., Integrated Eco-Resort, Inc., Lio Resort Ventures, Inc., Lio Tourism Estate Management Corporation, Makati North Hotel Ventures, North Eastern Commercial Corporation, North Liberty Resort Ventures, Inc., North Triangle Hotel Ventures., Inc., Northgate Hotel Ventures, Inc., One Makati Hotel Ventures, Inc., Pangulasian Island Resort Corporation, Paragua Eco-Resort Ventures, Inc., Regent Horizons Conservation Company, Inc., Sentera Hotel Ventures, Inc., Sicogon Island Tourism Sicogon Town Hotel, Inc., Estate Corporation, Soltea Commercial Corporation, Southcrest Hotel Ventures, Inc., Ten Knots Development Corporation, Ten Knots Philippines, Inc., Whiteknight Holdings, Inc. and One Makati Residential Ventures, Inc. He is also Director of the following companies: Accendo Commercial Corporation, Alabang Commercial Corporation, Arca South Integrated Terminal, Inc., Ayagold Retailers, Inc., Ayala Property Management Corporation, Cagayan de Oro Gateway Corporation, Columbus Holdings, Inc., Fort Bonifacio Development Corporation, Makati Cornerstone Leasing Corporation, Makati Development Corporation, Philippine Integrated Energy Solutions, Inc., Station Square East Commercial Corporation. He joined ALI in 1996 and held various positions in the Company. He graduated with a degree of Bachelor of Science in Legal Management from Ateneo de Manila University. He earned his Master's Degree in Business Administration from Asian Institute of Management. He is a Chartered Financial Analyst.

Carol T. Mills, Filipino, 49, has served as the Company's President since February 10, 2014 and President and Chief Operating Officer since April 4, 2019. She is a Vice President of Ayala Land, Inc. She is also the President of Ayala Land Offices, Inc. She is Chairman and President of various Ayala Land Offices subsidiaries namely UP North Property Holdings, Inc., First Gateway Real Estate Corp., ALO Prime Realty Corp., Glensworth Development Inc., Hillsford Property Corp., and Sunnyfield E-Office Corp.; President of North Eastern Commercial Corp. and Makati Cornerstone Leasing Corp as well as Director of North Triangle Depot Commercial Corp., ALI Capital Corp., DirectPower Services, Inc. and Central Block Developers Inc. She joined ALI in 1993 and prior to her current position, she was Deputy Head of Business Development for Ayala Malls from 2008 to 2013, General Manager for Alabang Town Center from 2004 to

2008, and Operations Manager for Glorietta from 2000 to 2004. She graduated Magna Cum Laude from the University of the Philippines in 1993 with a Bachelor of Science degree in Business Administration and earned her Masters in Business Administration from the Amos Tuck School of Business, Dartmouth College in New Hampshire, USA in 1998.

Bernard Vincent O. Dy, Filipino, 57, has served as a Director of AREIT, Inc. since April 4, 2019. He is the President and Chief Executive Officer of Ayala Land, Inc. and concurrently serves as a Senior Managing Director and member of the Ayala Group Management Committee of Ayala Corporation. He is also the Chairman of Cebu Holdings, Inc. and Director AREIT, Inc. and MCT Bhd of Malaysia. All are publicly listed companies. His other significant positions include: Chairman of Ayala Property Management Corporation, Makati Development Corporation, Alveo Land Corporation, Amaia Land Corporation, Bellavita Land Corporation, Altaraza Development Corporation Ayagold Retailers, Inc., Station Square East Commercial Corporation, Aviana Development Corp., Cagayan De Oro Gateway Corp., BGSouth Properties, Inc., BGNorth Properties, Inc., BGWest Properties, Inc., Portico Land Corporation., Philippine Integrated Energy Solutions, Inc., Avencosouth Corp., and Nuevocentro, Inc. He also serves as Vice Chairman of Ayala Greenfield Development Corporation and Alviera Country Club, Inc. He is also President of President of Bonifacio Land Corporation; Emerging City Holdings, Inc.; Columbus Holdings, Inc.; Berkshires Holdings, Inc.; Fort Bonifacio Development Corporation; Aurora Properties Incorporated; Vesta Property Holdings, Inc.; Ceci Realty Inc.; Alabang Commercial Corporation; and Accendo Commercial Corporation. Mr. Dy also serves as Director of Avida Land Corporation, Amicassa Process Solutions, Inc., Whiteknight Holdings, Inc., AyalaLand Medical Facilities Leasing, Inc., Serendra, Inc., Alveo-Federal Land Communities, Inc., ALI Eton Property Development Corporation, and AKL Properties, Inc. He is the President of Hero Foundation Inc. and Bonifacio Art Foundation, Inc. He is also a member of Ayala Foundation, Inc. and Ayala Group Club, Inc. He has also been a Director of the Junior Golf Foundation of the Philippines since 2010 and has served as Vice Chairman since 2017. He earned a Bachelor's Degree in Business Administration from the University of Notre Dame in 1985. He received his MBA in 1989 and MA International Relations in 1997, both at the University of Chicago.

Augusto D. Bengzon, Filipino, 58, has served as a Director and the Treasurer of AREIT, Inc. since April 4, 2019. He also currently serves as Ayala Land, Inc.'s Senior Vice President, Chief Finance Officer, Chief Compliance Officer & Treasurer. He is the Treasurer of Cebu Holdings Inc. and a Director of AyalaLand Logistics Holding Corp., the publicly listed subsidiaries of ALI. His other significant positions include: Chairman of Aprisa Business Process Solutions Inc.; Director, Treasurer & Compliance Officer of Anvaya Cove Golf and Sports Club Inc.; Director and Treasurer of ALI Eton Property Development Corp., Amaia Land Corp., Aurora Properties Inc., Avida Land Corp., Ayala Property Management Corp., Bellavita Land Corp., BGNorth Properties Inc., BGSouth Properties Inc., BGWestProperties Inc., Ceci Realty Inc., Philippine Integrated Energy Solutions Inc., Serendra Inc. and Vesta Property Holdings Inc.; Director & Assistant Treasurer of Ayala Greenfield Development Corp.; Director of AG Counselors Corporation, Alviera Country Club Inc., Alveo Land Corp., Ayala Land Premier, Inc., Makati Development Corp., Nuevocentro Inc., Northgate Hotel Ventures, Inc., Portico Land Corp., Station Square East Commercial Corp. and Southcrest Hotel Ventures, Inc.; Treasurer of Alabang Commercial Corporation, AKL Properties, Inc. and Hero Foundation, Inc.; Assistant Treasurer of Ayala Greenfield Golf & Leisure Club, Inc. and Trustee of Fe del Mundo Medical Center Phil, Inc. and Philippine National Police Foundation, Inc. He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted the Andres K. Roxas scholarship at the Asian Institute of Management where he received his Masters in Business Management degree.

Omar T. Cruz, Filipino 66, has served the Lead Independent Director of AREIT since April 12, 2019. He also serves as the Chief Bancassurance Executive of the Insular Life Assurance Co., Ltd.; as a trustee for the Financial Executives Institute of the Philippines; as a trustee and Board Executive Committee Member for the University of Asia and the Pacific; as a trustee and Board Executive Committee Member for the Center for Research and Communication Foundation, Inc.; as a trustee for De La Salle University; as the Chairman of the Investment Committee for De La Salle Philippines; as a trustee for the Philippine National Police Foundation; and as a member of the Credit Information Bureau, Inc. Previously Mr. Cruz has served as the Chairman of the International Treasury Committee of the International Association of Financial Executives Institution; as a senior advisor to Prudential Corporation Asia (HK); and as President and CEO of BPI-Philam Life Assurance Corp. He has also previous served as a director for numerous entities, including Philamlife Company, BPI Philam Life Assurance Corporation, Ayala FGU Condominium Corporation, Rufino Towers Condominium Corporation, Philamlife Asset Management, Inc., and Tower Club. Mr. Cruz has also worked for the Government, acting as Treasurer of the Philippines from 2005 to 2007. Mr. Cruz holds a Bachelor of Science in Industrial Management Engineering (minor in Mechanical Engineering) from De La Salle University. He also achieved his Masters in Industrial Economics from the Center for Research and Communication at the University of Asia and the Pacific.

Enrico S. Cruz, Filipino, 63, has served as an independent director of AREIT, Inc. since June 23, 2020. Mr. Cruz also serves as Independent Director for Security Bank and Maxicare Healthcare Corporation. He previously served as the Chief Country Officer, and Global Markets Head of Deutsche Bank AG Manila Branch, and Senior Vice President of CityTrust Banking Corporation. Mr. Cruz obtained his Bachelor of Science in Business Economics, as well as his Master in Business Administration from the University of the Philippines.

Simeon S. Cua, Filipino, 63, has served an independent director of AREIT, Inc. since April 4, 2019. In addition to his role as an independent Director, he serves as Chairman of Santi Village Development, Inc.; President and Chief Executive Officer of Philippine Racing Club, Inc.; President and Chief Executive Officer of Cualoping Securities Corp.; President of Philippine Newton Global Solutions, Inc.; President of Palm Integrated Commodities, Inc.; Vice President and Treasurer of Greater Buhangin Housing Development, Inc.; and Chief Finance Officer of Davao Newton Development, Inc. He is also a director of PRCI Circuit Makati, Inc., Davao Samal Golden Village, Inc., and Sta. Lucia Land, Inc. Mr. Cua has a Bachelor of Science as well as a Bachelor of Laws from Ateneo de Manila University.

<u>Management Committee Members / Key Executive Officers</u>

Carol T. Mills*	President and Chief Executive Officer
Augusto D. Bengzon*	Treasurer
Elaine Marie F. Alzona	Chief Finance Officer and Chief Compliance Officer
Solomon M. Hermosura	Corporate Secretary
June Vee D. Monteclaro-Navarro	Assistant Corporate Secretary
Nimfa Ambrosia L. Perez-Paras	Assistant Corporate Secretary
Michael Anthony L. Garcia	Investor Relations Officer
Amelia Ann T. Alipao	Data Protection Officer
Rowena P. Libunao**	Chief Audit Executive

**Member of the Board of Directors*
***As of 24 February 2021*

Elaine Marie F. Alzona, Filipino, 42, is the Chief Finance Officer and Chief Compliance Officer of AREIT, Inc. In addition to this position, Ms. Alzona is the Chief Finance Officer of Hotels for Ayalaland Hotels and Resorts Corp., a position she has filled since 2010. Ms. Alzona is likewise a director for the following companies: Ayalaland Hotels and Resorts Corp., Bonifacio Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., Southcrest Hotel Ventures, Inc., Ecosouth Hotel Ventures, Inc., Sentera Hotel Ventures, Inc., North Triangle Hotel Ventures, Inc., Capitol Central Hotel Ventures, Inc., Cebu Insular Hotel Co, Inc., Econorth Resort Ventures, Inc., Makati North Hotel Ventures, Inc., Circuit Makati Hotel Ventures, Inc., Central Bloc Hotel Ventures, Inc., Arca South Hotel Ventures, Inc., Bay Area Hotel Ventures, Inc., One Makati Hotel Ventures, Inc., One Makati Residential Ventures, Inc., Asiatown Hotel Ventures, Inc., ALI Triangle Hotel Ventures, Inc., Enjay Hotels, Inc., Greenhaven Property Ventures, Inc., ALI Makati Hotel Property, Inc., ALI Makati Hotel and Residences, Inc., Makati Hotel and Residences Condominium Corporation. In the past, she has acted as director, Chief Finance Officer, and treasurer for both Ayala Hotels, Inc. and Sicogon Town Hotel, Inc. Ms. Alzona is qualified as a Certified Public Accountant. She holds a B.S. in Business Administration and Accountancy from the University of the Philippines (Diliman) as well as a Master in Business Administration from the Asian Institute of Management.

Solomon M. Hermosura, Filipino, 58, has served as the Corporate Secretary of AREIT, Inc. since April 4, 2019. He is a Managing Director of Ayala Corporation and a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee. He is the Group Head of Corporate Governance, Chief Legal Officer, Compliance Officer, Corporate Secretary and Data Protection Officer of Ayala Corporation. He also serves as the Corporate Secretary and Group General Counsel of Ayala Land, Inc., and Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated Micro-Electronics, Inc., AC Energy Corporation (formerly AC Energy Philippines, Inc.), AREIT, Inc. and Ayala Foundation, Inc. He also serves as a Corporate Secretary and a member of the Board of Directors of a number of companies in the Ayala group. Mr. Hermosura is currently a member of the faculty of the College of Law of San Beda University. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examinations.

June Vee D. Monteclaro-Navarro, Filipino, 49, has served as the Assistant Corporate Secretary of AREIT, Inc. since April 4, 2019. She is a Vice President and the Chief Legal Counsel of ALI. She is also. the Corporate Secretary of Cebu Holdings, Inc. and AyalaLand Logistics Holdings Corp., the other publicly listed subsidiaries of ALI. She is the Corporate Secretary of Alveo Land Corp., Avida Land Corp., AKL Properties, Inc., ALI Eton Property Development Corporation and Altaraza Development Corporation. She served as Director (management position) and Corporate Secretary of Ayala Group Legal from 2012 to 2020.She was a Legal Officer at Ayala Land, Inc. from 2007 to 2012. Prior to joining Ayala Group, she was a Senior Associate at SyCip Salazar Hernandez & Gatmaitan from 1997 to 2002. She graduated from the University of St. La Salle in Bacolod with a Bachelor of Arts with a Major in Economics and a Bachelor of Science in Commerce Major in Data Processing in 1993. She earned a Bachelor of Laws degree from the University of the Philippines in 1997. She finished the Program on Negotiation at Harvard Law School in 2012 and the Leadership in Corporate Counsel Executive Education at Harvard Law School in 2016.

Nimfa Ambrosia L. Perez-Paras, Filipino, 55, is an Assistant Corporate Secretary of AREIT, Inc. since April 4, 2019. She was the Company's Corporate Secretary from August 2014 to April 4, 2019. She is Senior Counsel and Head of the Corporate Services and Compliance Unit at Ayala Group Legal, a role she has held since 2014. She is the Assistant Corporate Secretary of Cebu Holdings, Inc. and AyalaLand Logistics Holdings Corp., the other publicly listed subsidiaries of ALI. She handles various corporate secretarial functions for a number of companies within the Group. Prior to joining Ayala Group Legal in February 2014, she was a State Counsel at the Department of Justice. She also worked at the Regional Trial Courts of Makati and Quezon City. In the private sector, she has worked as Legal Counsel for Coca-Cola Bottlers Philippines, Inc., RFM Corporation, and Roasters Philippines, Inc. She graduated from the University of Santo Tomas with a Bachelor of Arts in Economics in 1986. She then secured a Bachelor of Laws from the Manuel L. Quezon School of Law in 1990. She finished the Program on Negotiation and Leadership at Harvard Law School in 2018.

Michael Anthony L. Garcia, Filipino, 41, has served as the Investor Relations Officer of our Company since 2020. Mr. Garcia also presently acts as the Head of Investor Communications and Compliance for Ayala Land, a position he has held for the last five years. Mr. Garcia holds a Master's in Business Administration degree from the Asian Institute of Management.

Amelia Ann T. Alipao, Filipino, 58, has served as the Data Protection Officer of AREIT, Inc. since April 4, 2019. She is also currently Vice President and Chief Information Officer of Ayala Land, Inc. (ALI). She is also the Group Data Protection Officer for ALI Group of Companies and presently a member of the Data Privacy Council for Real Estate of the National Privacy Commission. She sits on the board of APRISA Business Process Solutions, Inc and HCX Technology Partners Inc. She is also Vice President for Ka-uSAP inc, a non-profit organization for SAP User Group of the Philippines. She is currently a member of the ALI Corporate Bidding Committee. She previously occupied this role in 2009-2011 and acted as Chairperson. Before joining ALI, she took on dual roles in SAP Philippines as Account Manager, handling government accounts, and project manager for SAP Implementation. She served as Assistant Vice President in Coca-Cola Bottlers Philippines, Inc., where she held various IT systems implementation projects. She started her IT career as an IT Instructor in I/Act of SyCip Gorres Velayo & Co. She holds a Bachelor of Arts in Biology and a Bachelor of Science in Business Management from De La Salle University.

Item 10. Executive Compensation

Directors and Executive Officers

Directors
Article III, Section 12 of the By-Laws provides:

"Section 17 – By resolution of the Board of Directors, each director, may receive a reasonable per diem allowance for this attendance to each meeting of the Board of Directors. Any additional compensation, other than per diems, to be given to the members of the Board of Directors shall be subject to stockholders' approval.

A director, except an independent director, shall not be precluded from serving the Corporation in any other capacity such as an officer, agent or otherwise, and from receiving compensation thereof.

The amount of the annual compensation of all directors and principal officers of the Corporation shall be fixed subject to the provision of the REIT Act and other applicable laws, rules, and regulations. (as amended on December 20, 2006; and as further amended in a meeting of the Board of Directors and stockholders on September 26, 2018).

Officers
The officers of the Company do not receive compensation from the Company. The compensation of these officers is paid by the Sponsor, ALI, as the officers of the Company are long-time employees of the Sponsor who have been seconded to the Company. The total annual compensation of the President and top four highly compensated executives amounted to P8.53 million in 2019 and P8.14 million in 2020. The projected total annual compensation for the current year is P10.76 million.

Name and Principal Position	Year	Salary	Other Variable Pay
Carol T. Mills President & CEO August D. Bengzon Treasurer Elaine Marie F. Alzona CFO and Chief Compliance Officer Michael Anthony L. Garcia Investor Relations Officer			
CEO & Most Highly Compensated Executive Officers	Actual 2019	₱5.37M	*₱3.16M
	Actual 2020	₱5.13M	*₱3.01M
	Projected 2021	₱6.78M	*₱3.98M
All other officers** as a group unnamed	Projected 2021	₱1.05M	*₱0.62M
	Actual 2019	₱5.37M	*₱3.16M
	Actual 2020	₱5.13M	*₱3.01M

The executive officers are all seconded from Ayala Land, Inc, and they receive no compensation, salary, or per diem from the Company. The Company pays Ayala Land, Inc. management fees which includes key management personnel services for the Company. The amounts stated above form part of the management fees paid to Ayala Land, Inc. that covers the compensation of the executive officers of AREIT. Other variable pay covers bonuses.

The total annual compensation paid to all executive officers was all paid in cash.

Item 11. Security Ownership of Certain Beneficial Owners and Management

i. Security Ownership of Record and Beneficial Owners of more than 5% as of January 31, 2021:

Title of Class	**Name, Address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**No. of Shares Held**	**Percent** (of total outstanding shares)
Common	Ayala Land, Inc.1 31F, Tower One and Exchange Plaza Ayala Triangle Ayala Ave., Makati City	Ayala Land, Inc.2	Filipino	461,977,093	45.04209%
Common	PCD Nominee Corporation (Filipino)3 G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers4	Filipino	397,124,617	38,71907%
Common	AyalaLand Offices, Inc.5	AyalaLand Offices, Inc.6	Filipino	96,292,435	9.38837%
Common	PCD Nominee Corporation (Non-Filipino)[6] G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers[7]	Various Non-Filipino	70,202,983	6.84469%

1 Ayala Land, Inc. ("ALI") is the principal stockholder of the Company.
2 Under the By-Laws of ALI and the Revised Corporation Code, the ALI Board has the power to decide how ALI's shares are to be voted.
3 PCD is not related to the Company.
4 Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The beneficial owner, with certification of ownership of shares from the PCD Participant, has the power to vote *in absentia* or through the Chairman of the meeting as proxy. Out of the 467,327,600 common shares registered in the name of PCD Nominee Corporation, 115,468,427 or 11.25801% of the outstanding capital stock is for the account of BPI Securities Corporation (BPI Trade) and 52,328,400 or 5.10194% of the outstanding capital stock is for the account of Citibank N.A..None of BPI Trade, Citibank N.A. or any of their customers have coordinated with the Company for the submission of SEC Form 18-A for beneficially owning more than 5% of the Company's common shares.
5 AyalaLand Offices, Inc. is an affiliate of AREIT, Inc. for having ALI as their common stockholders owning at least 10% of their outstanding capital stock.
6 The Board of AyalaLand Offices, Inc. has the power to decide how the shares are to be voted.

ii. Security Ownership of Directors and Management (Executive Officers) as of January 31, 2021:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of total outstanding shares)
Directors				
Common	Bernard Vincent O. Dy	(direct) 1	Filipino	0.00000%
Common	Augusto D. Bengzon	(direct) 1	Filipino	0.00000%
Common	Jose Emmanuel H. Jalandoni	(direct) 1	Filipino	0.00000%
Common	Carol T. Mills	(direct & indirect) 101,001	Filipino	0.00985%
Common	Enrico S. Cruz	(direct & indirect) 2,670.001	Filipino	0.26032%
Common	Omar T. Cruz	(direct & indirect) 717,601	Filipino	0.06997%
Common	Simeon S. Cua	(direct) 1	Filipino	0.00000%
CEO and Most Highly Compensated Executive Officers				
Common	Carol T. Mills	(direct & indirect) 101,001	Filipino	0.00985%
Common	Augusto D. Bengzon	(direct) 1	Filipino	0.00000%
Common	Elaine F. Alzona	(indirect) 5,000	Filipino	0.00049%
Common	Michael Anthony D. Garcia	0	Filipino	0.00000%
Other Executive Officers				
Common	Solomon M. Hermosura	(indirect) 580,000	Filipino	0.05655%
Common	Amelia Ann T. Alipao	(indirect) 20,000	Filipino	0.00195%
Common	June Vee D. Monteclaro-Navarro	(indirect) 40,000	Filipino	0.00390%
Common	Nimfa Ambrosia L. Perez-Paras	(indirect) 39,900	Filipino	0.00292%
All Directors and Officers as a group		**4,173,507**		**0.40691%**

No director or member of the Company's management owns 2.0% or more of the outstanding capital stock of the Company.

iii. **Voting Trust Holders of 5% or more**

The Company knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

iv. **Changes in Control**

No change of control in the Company has occurred since the beginning of its last fiscal year.

(e) **Foreign ownership level as of January 31, 2021:**

Security	Total Outstanding Shares	Shares Owned By Foreigners	Percent of Ownership
Common Shares	1,025,656,435	70,202,983	6.8447%

Item 12. Certain Relationships and Related Transactions

The Company, in its regular conduct of business, has entered into transactions with related parties consisting of lease of office spaces, advances, sales, and development, management, marketing and leasing, and administrative service agreements. These are based on terms agreed by the parties.

All related party transactions of the Company have to be approved by a majority of the entire membership of the board of directors, including the unanimous vote of all independent directors of the REIT. All related-party transactions of the Company to date have been approved by the Related Party Transactions Committee of the Company.

The table below sets out the principal ongoing transactions of the Company with related parties as of December 31, 2020:

Related Parties	Nature of Transaction	Value of the Transaction
Direct Power Services, Inc.	Retail Electricity Supply agreement to meet the electricity requirements of the facilities of Solaris One	Varying depending on supply charges computation and adjustments; for year ended December 31, 2020 electricity expense incurred amounted to ₱42.54 million (see Note 19 of Audited FS).
Ayala Property Management Corporation	Property Management agreements for the facilities management of the Properties prior to The Company listing in Exchange	Management fee recognized amounted to ₱12.60 million for year ended December 31, 2020 (see Note 19 of Audited FS).
Ayala Land, Inc.	Contract of Lease for McKinley Exchange Property	Initial monthly rent of ₱2,733,078 per month, subject to annual escalation of 5% (see Note 17 of Audited FS)
Ayala Land, Inc.	Land lease agreements for Solaris and Teleperformance Cebu properties	The lease generally provides for a monthly rent based on a certain percentage of gross rental income. The Company recognized land lease amounting to ₱39.04 million in 2020 (see Note 17 and 19 of the Audited FS)

Related Parties	Nature of Transaction	Value of the Transaction
AREIT Fund Managers, Inc.	Fund Management Agreement for fund management services	0.10% of the Deposited Property Value (as defined in the Fund Management Agreement) plus 3.5% of the EBITDA before deduction of Management fees and after deducting interest expense from lease liabilities for the relevant period. The Company recognized fee for year ended December 31, 2020 amounting to ₱37.37 million (see Note 19 of Audited FS). Additional fees, if applicable: 1% of the acquisition price for every acquisition made. The Company recognized additional investment cost amounting to ₱14.5 million for the fees related to the acquisition of Teleperformance Cebu. 0.50% of the sales price for every property divested
AREIT Property Managers, Inc.	Property Management Agreement for property management services starting August 13, 2020	3% of Gross Rental Income plus Interest Income from finance lease for the relevant (as defined in the Property Management Agreement) plus 2% of the EBITDA before deduction of Management fees of the Company; for the year ended December 31, 2020, the management fee recognized amounted to ₱34.54 million (see Note 19 of Audited FS).
ALO Prime Realty Corp.	Acquisition of Teleperformance Cebu	₱1,450.00 million, (see Note 7 of the Audited FS).
HLC Development Corporation	Land lease agreement for the land lease of ANE properties	The Company recognized land lease in 2020 amounting to ₱71.51 million (see Note 19 of Audited FS)
Alveo Land Corp.	Contract of Lease dated January 5, 2018 for office space in Solaris One (0.76% of total gross leasable area)	The Company recognized rental income amounting to ₱4.66 million in 2020 (see Note 19 of the Audited FS)

Related Parties	**Nature of Transaction**	**Value of the Transaction**
Makati North Hotel Ventures, Inc.	Contract of Lease dated February 6, 2019 (for 100% of the serviced residences portion of Ayala North Exchange)	Fixed- ₱6,315 million plus 5% of Total Hotel Revenues if Total Hotel Revenues exceed ₱500 million or 10% of Total Hotel Revenues if Total Hotel Revenues exceed ₱1 billion, starting on Year 6 of the contract; Total outstanding receivable balance as of December 31, 2020 amounted to ₱2.24 billion (see Note 17 of the Audited FS)
Bank of the Philippine Islands	Contract of Lease dated November 28, 2016 (0.23% of total gross leasable area in Solaris One) Contract of Lease dated April 30, 2019 (10.5% of total gross leasable area in Ayala North Exchange)	₱588.32 million, lease for a period of five (5) years, VAT exclusive. For year ended December 31, 2020, the Company recognized rental income amounting to ₱105.06 million (see Note 19 of the Audited FS)
First Gateway Real Estate Corp.	Contract of Lease dated May 29, 2019 (1.6% of total gross leasable area of Ayala North Exchange)	₱73.50 million, lease for a period of seven (7) years, VAT exclusive; Rental income recognized in 2020 amounted to ₱10.52 million (see Note 19 of the Audited FS)
Arvo Commercial Corp.	Loan covered by a Promissory Note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱205.76 million (see Note 19 of Audited FS)
Central Block Developers, Inc.	Loan covered by a Promissory Note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱390.09 million (see Note 19 of the Audited FS)
Ten Knots Philippines, Inc.	Loan covered by Promissory Note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱121.24 million (see Note 19 of the Audited FS)
Arca South Commercial Ventures Corp.	Loan covered by Promissory Note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱118.93 million (see Note 19 of the Audited FS)
Crans Montana Property Holdings Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱117.09 million (see Note 19 of the Audited FS)

Related Parties	Nature of Transaction	Value of the Transaction
Capitol Central Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱88.74 million (see Note 19 of the Audited FS)
ALI Makati Hotel Property, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱77.65 million (see Note 19 of the Audited FS)
Soltea Commercial Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱59.69 million (see Note 19 of the Audited FS)
Laguna Technopark Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱52.64 million (see Note 19 of the Audited FS)
Ayalaland Logistics Holdings Corp	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱50.60 million (see Note 19 of the Audited FS)
ALI Triangle Hotel Ventures, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱42.81 million (see Note 19 of the Audited FS)
Cagayan De Oro Gateway Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱26.48 million (see Note 19 of the Audited FS)
Cavite Commercial Towncenter Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱25.61 million (see Note 19 of the Audited FS)
Bay City Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱22.54 million (see Note 19 of the Audited FS)
Leisure and Allied Industries Phils. Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱20.05 million (see Note 19 of the Audited FS)
Sicogon Island Tourism Estate Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱18.03

Related Parties	Nature of Transaction	Value of the Transaction
		million (see Note 19 of the Audited FS)
ALI Commercial Center, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱15.02 million (see Note 19 of the Audited FS)
Nuevocentro, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱11.07 million (see Note 19 of the Audited FS)
Hillsford Property Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱10.00 million (see Note 19 of the Audited FS)
Sicogon Town Hotel, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱8.01 million (see Note 19 of the Audited FS)
Circuit Makati Hotel Ventures, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱4.35 million (see Note 19 of the Audited FS)
Airswift Transport, Inc	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱2.55 million (see Note 19 of the Audited FS)
Ayalaland Malls Synergies, Inc	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱2.51 million (see Note 19 of the Audited FS)
Amaia Land Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱2.03 million (see Note 19 of the Audited FS)
Westview Commercial Ventures Corp	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2020 amounted to ₱1.82 million (see Note 19 of the Audited FS)

As of 31 December 2020, the Company has paid the following fees to its related parties:

Related Parties	Nature of Transaction	Value of the Transaction
Direct Power Services, Inc.	Retail Electricity Supply agreement to meet the electricity requirements of the facilities of Solaris One	Varying depending on supply charges computation and adjustments; for year ended December 31, 2020 electricity expense incurred amounted to ₱42.54 million (see Note 19 of Audited FS).
Ayala Property Management Corporation	Property Management agreements for the facilities management of the Properties prior to The Company listing in Exchange	Management fee recognized amounted to ₱12.60 million for year ended December 31, 2020 (see Note 19 of Audited FS).
Ayala Land, Inc.	Contract of Lease for McKinley Exchange Property	Initial monthly rent of ₱2,733,078 per month, subject to annual escalation of 5% (see Note 17 of Audited FS)
Ayala Land, Inc.	Land lease agreements for Solaris and Teleperformance Cebu properties	The lease generally provides for a monthly rent based on a certain percentage of gross rental income. The Company paid land lease amounting to ₱39.04 million in 2020 (see Note 17 and 19 of the Audited FS)
AREIT Fund Managers, Inc.	Fund Management Agreement for fund management services	0.10% of the Deposited Property Value (as defined in the Fund Management Agreement) plus 3.5% of the EBITDA before deduction of Management fees and after deducting interest expense from lease liabilities for the relevant period. The Company paid fees for year ended December 31, 2020 amounting to ₱37.37 million (see Note 19 of Audited FS). Additional fees: 1% of the acquisition price for every acquisition made. The Company recognized additional investment cost amounting to ₱14.5 million for the fees related to the acquisition of Teleperformance Cebu. 0.50% of the sales price for every property divested

Related Parties	Nature of Transaction	Value of the Transaction
AREIT Property Managers, Inc.	Property Management Agreement for property management services starting August 13, 2020	3% of Gross Rental Income plus Interest Income from finance lease for the relevant (as defined in the Property Management Agreement) plus 2% of the EBITDA before deduction of Management fees of the Company; for the year ended December 31, 2020, the management fee paid amounted to ₱34.54 million (see Note 19 of Audited FS).
ALO Prime Realty Corp.	Acquisition of Teleperformance Cebu	₱1,450.00 million, (see Note 7 of the Audited FS).
HLC Development Corporation	Land lease agreement for the land lease of ANE properties	The Company paid land lease in 2020 amounting to ₱71.51 million (see Note 19 of Audited FS)

On 05 January 2021, upon the recommendation of AREIT Fund Managers, Inc., and the Company's Related Party Transactions Committee, and upon the approval of its Board of Directors, the Company acquired four (4) parcels of land with an aggregate area of 98,179 square meters located in Laguna Technopark, Biñan, Laguna, for One Billion One Hundred Six Million Five Hundred Thirty-Two Thousand Three Hundred Ten and 24/100 Pesos (₱1,106,532,310.24), inclusive of value-added taxes, from Technopark Land, Inc, an affiliate of the Company. Ayala Corporation owns 78.77% of Technopark Land, Inc., and 44.44% of Ayala Land, Inc. Ayala Land, Inc. is the Sponsor of the Company, and directly and indirectly owns 54.43% of the Company.

On 15 January 2021, upon the recommendation of AREIT Fund Managers, Inc., and the Company's Related Party Transactions Committee, and upon the approval of its Board of Directors, the Company acquired The 30th Commercial Development from Ayala Land, Inc., for Five Billion One Hundred Twelve Million Fifty-Eight Thousand Sixty-Three and 28/100 Pesos (₱5,112,058,063.28), inclusive of value-added taxes. The 30th Commercial Development is a commercial building with a total gross leasable area of 74,704 square meters composed of a 19-storey office tower with a gross leasable area of 47,871 square meters, and a 4-storey retail podium with a gross leasable area of 26,833 square meters, located in Meralco Avenue, Pasig City, Metro Manila, Philippines.

On 16 March 2021, the Related Party Transactions Committee of the Company likewise approved and endorsed to the Board of Directors of the Company, the proposed property- for-share swap transaction between the Company and Ayala Land, Inc., specifically, the issuance of 483,254,375 primary common shares to Ayala Land, Inc. in exchange for identified properties owned by Ayala Land, Inc., and its subsidiaries, valued at Fifteen Billion Four Hundred Sixty-Four Million One Hundred Forty Thousand Pesos (₱15,464,140,000). The Board of Directors of the Company, by unanimous vote likewise approved the transaction on even date.

However, no other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner of more than 5% of the Company's outstanding shares (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

AREIT employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

PART V- CORPORATE GOVERNANCE

Item 13. Compliance with leading practice on Corporate Governance

AREIT has a Corporate Governance Manual (CG Manual) to ensure compliance with the leading practices on good corporate governance and related SEC rules and regulations. This was drafted in accordance to the SEC Revised Manual on Corporate Governance. AREIT's CG Manual was approved and adopted by the Board on March 25, 2019.

The CG Manual features the following provisions:

- *Protection of investors.* The Manual provides for shareholders' rights and protection, investor relations, rights to dividends, and provisions on transparency and accountability.

- *Board of directors and management*. The detailed duties, functions, and responsibilities of the Board, the Directors, and executive officers are also enumerated in the Manual.

- *Checks and balances.* The Manual contains the vision, strategic objectives, key policies, procedure for the management of the Company, governance policy on conflict of interest, the audit and compliance system, and mechanisms for monitoring and evaluating management's performance.

- *Compliance with the Manual.* The appointment of a Compliance Officer to monitor compliance with and violations of the Manual is also provided.

- *Creation of committees.* The Manual mandates the creation of the Executive Committee, the Corporate Governance and Nomination Committee, the Personnel and Compensation Committee, the Audit Committee, the Risk Oversight Committee, the Related Party Transactions Review Committee, the Proxy Validation Committee, and the Sustainability Committee to ensure the performance of certain important functions of the Board and management.

To ensure compliance by the Corporation, its officers and directors of the CG Manual, among others, the Compliance Officer is tasked to monitor, review, and evaluate the same. Violations are likewise reported to the Board and the Compliance Officer shall recommend the imposition of appropriate disciplinary action or penalty after following due process.

The CG Manual shall also be subject to quarterly review and the Board shall also exert its best effort to ensure a high standard of best practice for the Corporation. The review and amendment to take into account the Corporation's changing needs, factual conditions prevailing in the environment and regulatory requirements.

AREIT is also compliant with all corporate governance requirements as stipulated in the Real Estate Investment Trust Act of 2009 and SEC Memorandum Circular No. 1 Series of 2020 (the Revised REIT IRR).

The Company is taking further steps to further strengthen adherence to principles and practices of good corporate governance.

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits- See accompanying Index to Exhibits

The following exhibit is incorporated by reference in this report.

2020 Audited Financial Statements

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) Reports on SEC form 17-C

The following current reports have been reported by Ayala Land during the year 2020.

Unstructured Disclosures
• AREIT debuts on the PSE, successfully completes its IPO • Stabilization Report for the week of August 10 - 14 • Results of the AREIT, Inc. Board Meeting (17 Aug 2020) • Stabilization Report for the week of August 17 – 20 • Stabilization Report for the week of August 24 – 28 • Stabilization Report for the week of September 1 – 4 • Stabilization Period Closing Date • Stabilization Report for the week of September 7 – 11 • Summary of Stabilization Activities Conducted and Exercise of Over-allotment Option • AREIT Acquires Teleperformance Cebu • Report on Shares bought by the Stabilization Agent • Results of the AREIT, Inc. Board Meeting (22 Oct 2020) • Acquisition of The 30th Commercial Development • Notice of 9M 2020 Analyst Briefing • AREIT's 9M 2020 results • Board Approval for 3Q 2020 Cash Dividends • Quarterly report of AREIT Fund Managers, Inc. for 3Q2020 • Setting of 2021 Stockholders' Meeting • Three-year AREIT Investment Strategy

(c) Reports under SEC form 17-C files
None.

(d) Material events subsequent to the end of the reporting period that have not been reflected in the financial statements 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.

On March 16, 2021, the Board of Directors of AREIT, Inc. (AREIT) approved the following items at its special meeting:

1. The increase of AREIT's authorized capital stock from Php11,740,000,000.00 to Php29,500,000,000.00, and the corresponding amendment of the Seventh Article of the Articles of Incorporation.

2. The subscription of Ayala Land, Inc. (ALI) of 483,254,375 primary common shares of AREIT in exchange for identified key ALI commercial properties valued at P15,464,140,000.00 under a property-for-share swap transaction at a price of P32.00 per share, as validated by a third-party fairness opinion.

Both items are subject to the approval of AREIT shareholders at their annual meeting on April 23, 2021 and pertinent regulatory bodies.

The transaction with ALI will increase AREIT's leasing portfolio from 344 to 549 thousand square meters and deposited property value from P37 to P52 billion pesos.

Pertinent supplementary disclosures will be provided in due course subject to the fulfillment of closing requirements.

On March 24, 2021, AREIT identified the 10 properties covered in the asset-for-share swap with Ayala Land namely: are Vertis North Commercial Development which has three office buildings and a retail podium located in Quezon City; One and Two Evotech in Nuvali Santa Rosa, Laguna; Bacolod Capitol Corporate Center and Ayala Northpoint Technohub, both located in Negros Occidental; and office condominium units at BPI-Philam Life buildings in Makati CBD and Madrigal Business Park in Alabang.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on APR 15 2021 20__.

By:

Carol T. Mills President / Chief Executive Officer	**Augusto D. Bengzon** Treasurer
Elaine Marie F. Alzona Chief Finance Officer and Chief Compliance Officer	**Solomon M. Hermosura** Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of APR 15 2021 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Carol T. Mills	P9958069A	December 17, 2018	DFA NCR South
Elaine Marie F. Alzona	P6005978B	December 22, 2020	DFA NCR East
Augusto D. Bengzon	P4323352B	January 08, 2020	DFA NCR East
Solomon M. Hermosura	P3081434B	October 14, 2019	DFA NCR East

Notary Public

Doc No. 314;
Page No. 64;
Book No. XXXV;
Series of 2021.
AREIT, INC.

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. 8533973ME – 01/04/2021 - Makati City
MCLE Compliance No. VII – 0000267 – 07/30/2019
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

INDEX TO EXHIBITS
Form 17-A

No.		
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	n.a.
(5)	Instruments Defining the Rights of Security Holders, including Indentures	n.a.
(8)	Voting Trust Agreement	n.a.
(10)	2020 Audited Financial Statement (with notarized Statement of Management Responsibility)	
	Attached 2020 Financial Statement of “significant” subsidiaries/affiliates which are not consolidated	n.a.
(13)	Letter re: Change in Certifying Accountant	n.a.
(15)	Letter re: Change in Accounting Principles	n.a.
(16)	Report Furnished to Security Holders	n.a
(18)	Subsidiaries of the Registrants	n.a.
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	n.a.
(20)	Consent of Experts and Independent Counsel	n.a.
(21)	Power of Attorney	n.a.
(29)	Additional Exhibits	n.a.

n.a Not applicable or require no answer.

AREIT, INC.

INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A

Supplementary Schedules *(For schedules A- H please refer to pages 41-58)*

Report of Independent Public Accountants on Supplementary Schedules

A. Financial Assets
B. Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
C. Amounts Receivable from Related Parties with are Eliminated during the Consolidation of Financial Statements
D. Long-term Debt
E. Indebtedness to Related Parties
F. Guarantees of Securities of Other Issuers
G. Capital Stock

Other Supporting Schedules
Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule for Listed Companies with a Recent Offering of Securities to the Public
Corporate Organizational Chart
Financial Soundness Indicators

Sustainability Report
A copy of AREIT's 2020 Integrated Report, will be available on the link below on or before the date of its Annual Stockholders' Meeting on April 23, 2021
https://areit.com.ph/investor-relations/annual-reports

SGV
Building a better working world

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

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

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

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

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 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

Schedule	Contents
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Long-Term Debt
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers
G	Capital Stock
68-D	Reconciliation of Related Earnings Available for Dividend Declaration
68-I	Schedule of Listed Companies with a Recent Offering of Securities to the Public

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

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	−

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		₱–

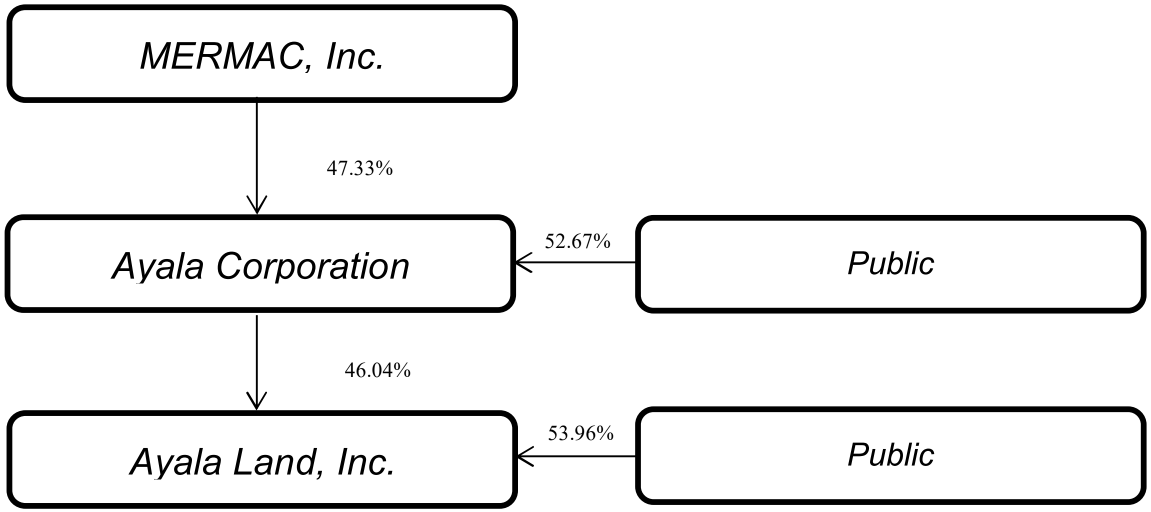
4. Balance of the proceeds as of end of reporting period

   ₱ –

AREIT, INC.

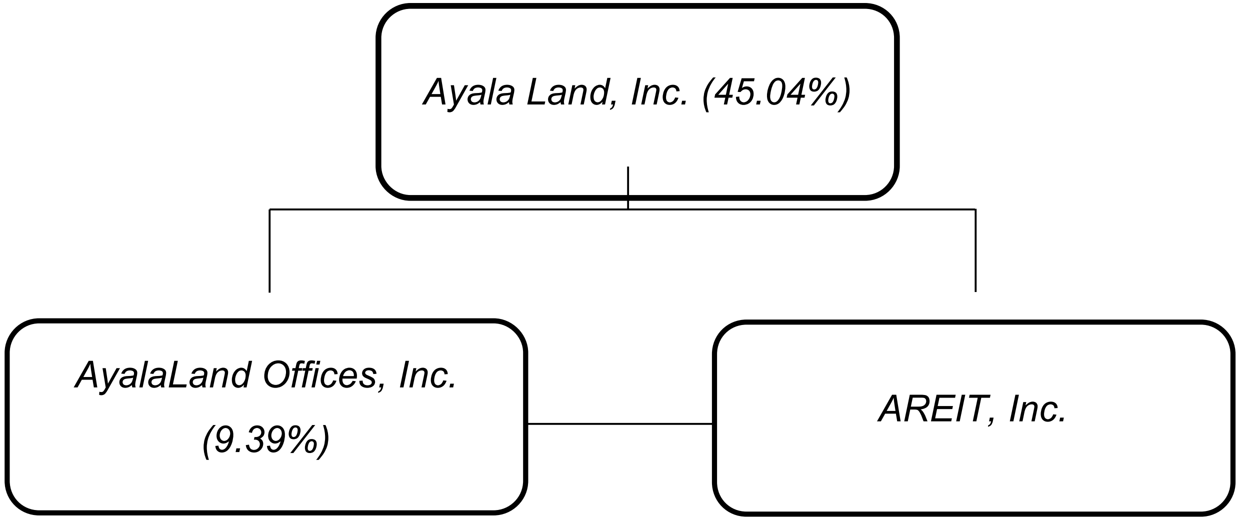
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

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



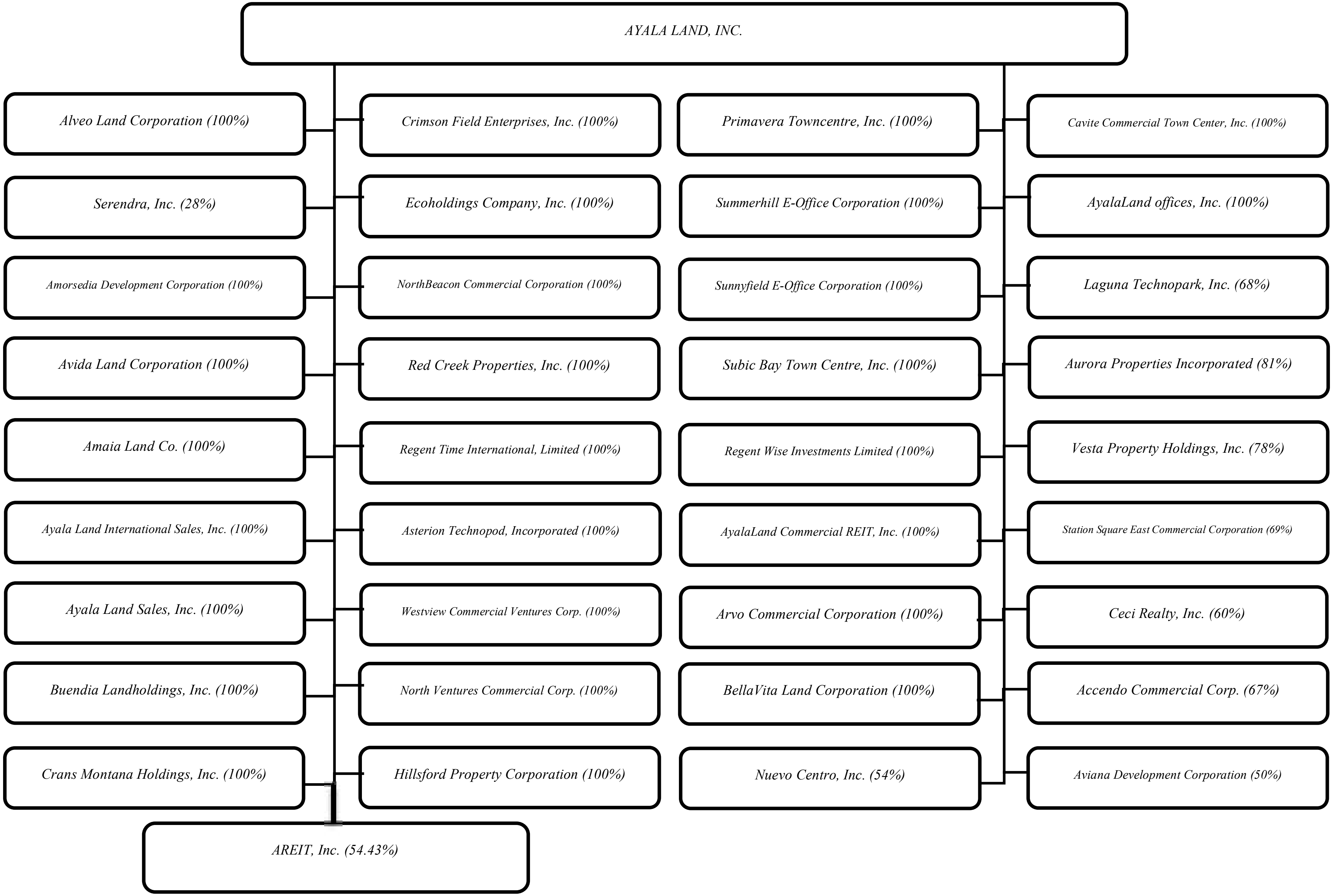
AYALA LAND, INC.

- Cagayan de Oro Gateway Corp. (70%)
- Soltea Commercial Corp. (60%)
- CMPI Holdings, Inc. (60%)
- ALI-CII Development Corporation (50%)
- Roxas Land Corporation (50%)
- Ten Knots Phils, Inc. (60%)
- ALInet.com, Inc. (100%)
- Varejo Corp. (100%)
- ALI Commercial Center Inc. (100%)

- Adauge Commercial Corporation (60%)
- Southgateway Development Corp. (100%)
- Ayalaland MetroNorth, Inc. (100%)
- North Triangle Depot Commercial Corp. (73%)
- BGWest Properties, Inc. (50%)
- Ten Knots Development, Corp. (60%)
- First Longfield Investments Limited (100%)
- Ayala Land Malls, Inc. (100%)
- Cebu Holdings Inc. (71%)

- Alabang Commercial Corporation (50%)
- Makati Development Corporation (100%)
- Ayala Hotels, Inc. (50%)
- AyalaLand Hotels and Resorts Corp. (100%)
- Lagdigan Land Corp. (60%)
- Southportal Properties Inc. (65%)
- Aprisa Business Process Solutions, Inc. (100%)
- Verde Golf Development Corporation (100%)
- AREIT, Inc. (54.43%)

- Ayala Property Management Corp. (100%)
- Ayala Theatres Management, Inc. & S. (100%)
- DirectPower Services, Inc. (100%)
- Phil. Integrated Energy Solutions, Inc. (100%)
- Five Star Cinema, Inc. (100%)
- Leisure and Allied Industries Philippines, Inc. (50%)
- AyalaLand Club Management, Inc. (100%)
- Whiteknight Holdings, Inc. (100%)


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 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. 3 ;
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. 8533973ME – 01/04/2021 - Makati City
MCLE Compliance No. VII – 0000267 – 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

COMPANY NAME

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

COMPANY INFORMATION

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.*

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

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

Basis of Preparation

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.

<u>Income Tax</u>
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.

29 January 2021

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

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

Subject: 2020 Annual Progress Report on the Disbursement of Proceeds from the Initial Public Offering ("IPO") of AREIT, Inc. ("AREIT")

Dear Ms. Encarnacion,

We are pleased to submit our Progress Report on the Application of Proceeds for the full year 2020, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

Please be advised that as of December 31, 2020 the remaining balance of the proceeds from the AREIT IPO amounts to Nine Billion Five Hundred Ninety Eight Million Four Hundred Seventy Thousand Five Hundred and Forty Eight Centavos (Php9,598,470,500.48).

The details of the disbursement for the year 2020 are as follows:

IPO Proceeds as of August 13, 2020		Php	12,277,107,900.00
Less:	Purchase of AREIT shares during stabilization period		926,637,399.52
	Disbursements from Aug 13 to Sept 30, 2020 (Annex A)		654,000,000.00
	Disbursements from Oct 1 to Dec 31 (Annex A)		1,098,000,000.00
Balance of IPO Proceeds as of December 31, 2020		**Php**	**9,598,470,500.48**

Thank you.

Very truly yours,

Augusto D. Bengzon
Ayala Land, Inc.
Treasurer and Chief Finance Officer

Elaine Marie F. Alzona
AREIT, Inc.
Chief Finance Officer and Chief Compliance Officer

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)

MAKATI CITY) S.S.

I certify that on 13 April 2021, before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

Name	Competent Evidence of Identity	Date / Place Issued
Ayala Land, Inc. *Represented by:* Augusto D. Bengzon	TIN: 153-790-000 SSS ID No. 03-7770829-7	
AREIT, Inc. *Represented by:* Elaine Marie F. Alzona	TIN: 006-346-689 DL: N02-96-320705	 26 August 2024/LTO

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

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

MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ
Notary Public – Makati City
Appt. No. M-154 until December 31, 2021
Roll of Attorneys No. 60896
IBP No. 136246 – 12/21/2020 - Makati City
PTR No. 8533969ME – 01/04/2021 - Makati City
MCLE Compliance No. VI -0009482 – 06/20/2018
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

Doc. No. 352
Page No. 72
Book No. XIV
Series of 2021.

MA. FLORENCE THERESE DG. MARTIREZ-CRUZ
NOTARY PUBLIC
ROLL NO. 60896
MAKATI CITY, PHILS.

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

ANNEX A

Disbursements from August 13 to September 30, 2020

Date	Disbursing Entity	Project Name	Amount
08/13/2020	Bay Area Hotel Ventures Inc.	SEDA Manila Bay	107,000,000.00
08/13/2020	ALI Triangle Hotel Ventures Inc.	Mandarin Oriental	426,000,000.00
08/13/2020	Cebu Holdings Inc.	Flats CITP	121,000,000.00
	TOTAL		**654,000,000.00**

Disbursements from October 1, 2020 to December 31, 2020

Date	Disbursing Entity	Project Name	Amount
10/28/2020	ALI Commercial Center, Inc.	One Ayala (BPO & Malls)	183,000,000.00
10/29/2020	Arca South Commercial Ventures Corp.	Arca South Office	12,000,000.00
12/03/2020	Cavite Commercial Town Center, Inc.	Ayala Malls Vermosa	456,000,000.00
12/17/2020	ALI Commercial Center, Inc.	One Ayala (BPO & Malls)	447,000,000.00
	TOTAL		**1,098,000,000.00**