

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)

September 30, 2021

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

-

(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2021**
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 September 30, 2021

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
Common shares	1,025,656,435

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

Yes ☒ 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 ☒ No ☐

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

Yes ☒ No ☐

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

AREIT, INC.

STATEMENTS OF FINANCIAL POSITION

	September 30, 2021 (Unaudited)	December 31, 2020 (As restated)	January 1, 2020 (As restated)
ASSETS			
Current Assets			
Cash (Note 4)	P35,261,295	P58,977,547	P122,180,606
Receivables (Note 5)	359,109,731	2,373,620,721	1,967,170,494
Other current assets (Note 6)	473,725,742	281,312,797	157,602,668
Total Current Assets	868,096,768	2,713,911,065	2,246,953,768
Noncurrent Assets			
Noncurrent portion of receivables (Note 5)	2,611,074,642	2,194,794,056	2,215,249,105
Investment properties	34,825,232,776	29,189,674,985	25,380,629,552
Property and equipment	328,710	12,053	20,089
Other noncurrent assets (Note 6)	1,643,179,463	1,001,662,147	968,057,313
Total Noncurrent Assets	39,079,815,591	32,386,143,241	28,563,956,059
	39,947,912,359	35,100,054,306	30,810,909,827
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Note 7)	P514,789,419	P513,927,478	P274,477,842
Short-term loans Payable (Note 8)	4,049,000,000	–	–
Interest Payable (Note 8)	1,781,181	–	–
Current portion of deposits, other liabilities (Note 9)	413,287,069	129,399,846	166,793,502
Income tax payable	–	54,444,350	71,241,650
Current portion of lease liability	35,154,216	34,300,129	–
Construction bonds	224,215	–	11,105,498
Total Current Liabilities	5,014,236,100	732,071,803	523,618,492
Noncurrent Liabilities			
Deposits, other liabilities, net of current portion (Note 9)	749,390,247	722,693,405	600,134,138
Lease liability- net of current portion	862,402,042	837,543,814	–
Deferred tax liabilities - net	–	–	3,454,687,620
Total Noncurrent Liabilities	1,611,792,289	1,560,237,219	4,054,821,758
Total Liabilities	6,626,028,389	2,292,309,022	4,578,440,250
Equity (Note 10)			
Paid-up capital	10,929,864,050	10,929,864,050	10,451,224,050
Treasury shares	(673,299,700)	(673,299,700)	(673,299,700)
Additional paid-in capital	785,681,404	785,681,404	–
Retained earnings	22,279,638,216	21,765,499,530	16,454,545,227
Total Equity	33,321,883,970	32,807,745,284	26,232,469,577
	P39,947,912,359	P35,100,054,306	P30,810,909,827

AREIT, INC.**INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

	2021 (Unaudited)		2020 (Unaudited)	
	July 1 to September 30	January 1 to September 30	July 1 to September 30 (Restated)	January 1 to September 30 (Restated)
REVENUE				
Rental income	₱519,486,417	₱1,595,523,549	₱364,007,300	₱1,071,670,130
Dues- net	129,037,756	386,602,528	77,161,840	264,069,627
Interest income from finance lease receivables	45,865,295	134,843,608	37,909,560	112,904,558
	694,389,468	2,116,969,685	479,078,700	1,448,644,315
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES	(3,400,800)	304,472,395	678,234,099	1,154,058,795
COSTS AND EXPENSES				
Direct operating expenses	174,008,320	517,838,710	114,918,866	320,745,771
General and administrative expenses	9,928,765	32,972,697	41,115,695	49,447,144
	183,937,085	550,811,407	156,034,561	370,192,915
OTHER INCOME (CHARGES) - Net				
Gain under finance lease	–	28,309,398	–	–
Interest income	490,452	4,416,843	28,345,981	63,478,677
Interest expense	(26,277,022)	(107,156,820)	(18,200,304)	(41,327,334)
Other income	41,034	41,034	5,732,651	9,341,693
	(25,745,536)	(74,389,545)	15,878,328	31,493,036
INCOME BEFORE INCOME TAX	481,306,047	1,796,241,128	1,017,156,566	2,264,003,231
PROVISION FOR INCOME TAX (Note12)	6,445	31,898	(3,510,429,842)	(3,280,900,005)
NET INCOME	481,299,602	1,796,209,230	4,527,586,408	5,544,903,236
OTHER COMPREHENSIVE INCOME	–	–	–	–
TOTAL COMPREHENSIVE INCOME	₱481,299,602	₱1,796,209,230	₱4,527,586,408	₱5,544,903,236
Basic/Diluted Earnings Per Share	₱0.47	₱1.75	₱4.41	₱5.41

AREIT, INC.**INTERIM STATEMENTS OF CHANGES IN EQUITY**

	Nine Months Ended September 30	
	2021	2020
	(Unaudited)	(Unaudited, restated)
PAID-UP CAPITAL		
Common Shares - ₱10 par value		
Balance at beginning and end of year	₱10,929,864,050	₱10,929,864,050
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning and end of year	785,681,404	785,681,404
TREASURY SHARES		
Balance at beginning and end of year	(673,299,700)	(673,299,700)
RETAINED EARNINGS		
Balance at beginning of year	21,765,499,530	1,022,804,424
Restatement	–	15,431,740,803
Balance at beginning of period, as restated	21,765,499,530	16,454,545,227
Total comprehensive income/Net income	1,796,209,230	5,519,491,958
Cash dividends	(1,282,070,544)	(605,137,297)
Balance at end of year	22,279,638,216	21,368,899,888
	33,321,883,970	32,411,145,642

AREIT, INC.**INTERIM STATEMENTS OF CASH FLOWS**

	Nine Months Ended September 30	
	2021	2020
	(Unaudited)	(Unaudited, restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,796,241,129	₱2,264,003,232
Adjustments for:		
Fair value change in investment properties	(304,472,395)	(1,154,058,795)
Depreciation and amortization	23,049	6,027
Interest expense	107,156,820	41,327,334
Gain under finance lease	(28,309,398)	—
Interest income from finance lease receivables	(134,843,608)	(112,904,558)
Interest income	(4,416,843)	(63,478,677)
Operating income before working capital changes	1,431,378,754	974,894,563
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(57,427,437)	21,999,473
Other assets	(888,374,611)	(179,593,996)
Increase (decrease) in:		
Accounts and other payables	2,643,123	292,993,110
Deposits and other liabilities	297,833,311	(15,186,702)
Construction bonds	224,215	(11,105,498)
Cash generated from (used in) operations	786,277,355	1,084,000,950
Interest received	139,260,451	176,383,235
Interest paid	(51,612,016)	(37,260,337)
Income tax paid	(31,899)	(123,352,593)
Net cash flows provided by (used in) operating activities	873,893,891	1,099,771,255
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from related parties	2,073,938,726	(1,544,700,000)
Payments for additions to investment properties	(5,721,056,881)	(304,505,338)
Payments for additions to property and equipment	(339,705)	—
Net cash flows provided by (used in) investing activities	(3,647,457,860)	(1,849,205,338)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	4,049,000,000	—
Net proceeds from the issuance of shares	—	1,264,451,403
Payments of dividends	(1,282,070,544)	(605,137,297)
Payments of lease liability	(17,081,739)	—
Net cash flows provided by financing activities	2,749,847,717	659,314,106
NET INCREASE (DECREASE) IN CASH	(23,716,252)	(90,119,977)
CASH AT BEGINNING OF PERIOD	58,977,547	122,180,606
CASH AT END OF PERIOD	₱35,261,295	₱32,060,629

AREIT, INC.

NOTES TO INTERIM FINANCIAL STATEMENTS

1. Corporate Information

AREIT, Inc., (formerly, One Dela Rosa Property Development, 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. On September 26, 2018, the Company amended its Articles of Incorporation to engage in the business of a real estate investment trust (REIT), as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), and its implementing rules and regulations (the REIT Act). 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. On April 12, 2019, the Company changed its name to AyalaLand REIT, Inc., and further amended its name to AREIT, Inc. on June 28, 2019.

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

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

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

2. Basis of Financial Statement Preparation

The accompanying unaudited financial statements have been prepared following Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited financial statements do not include all of the information and disclosures required in the December 31, 2020, annual audited financial statements.

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

The unaudited financial statements are presented in Philippine peso (Php), the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

On November 05, 2021, the Audit Committee approved and authorized the release of the accompanying unaudited financial statements of AREIT, Inc.

3. Summary of Significant Accounting Policies

Change to Fair Value Model

In 2021, the Company voluntarily changed its accounting policy on its investment properties from a cost model to a fair value model.

Under fair value accounting, investment properties are stated at fair value, reflecting market conditions at the reporting date. Independent real estate valuation experts determine the fair value of investment properties using the "income approach," based on each property's discounted future cash flows. The gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period wherein they arise. Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use, and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the asset's carrying amount is recognized as profit or loss in the period of derecognition.

The change will provide the users of the financial statements with more relevant information as it reflects the company's current valuation as a REIT entity. As a result, the comparative December 31, 2020, audited statement of financial position, comparative statement of comprehensive income, and statement of changes in equity for the nine months ended September 30, 2020, were restated to reflect the effect of the voluntary change.

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 significantly impact the Company's financial position or performance unless otherwise indicated.

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

The amendments relieve 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 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 does not apply to the Company as there are no rent concessions granted to the Company as a lessee.

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

The amendments to PFRS 3 clarify 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 several reliefs which apply to all hedging relationships that are directly affected by the 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 stating “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 based on 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, nor is there expected to be any future impact on 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, help preparers develop consistent accounting policies where there is no applicable standard in place, and assist all parties in understanding and interpreting the standards.

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

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

The Company adopted PIC Q&A 2018-12, PFRS 15 – Accounting for CUSA starting January 1, 2021, concludes that real estate developers are generally acting as principals for CUSA. The impact of the adoption is applied retrospectively.

As a result of the adoption, the Company presented the revenue from CUSA and air-conditioning charges at gross amounts and the related costs as part of costs and expenses which were previously presented together on a net basis as part of revenues.

The Company assessed itself (a) as principal on Buildings for CUSA and air-conditioning charges, (b) as agent on Condominium Units for CUSA and air-conditioning charges, and (c) as agent for electricity and water usage (see Note 4).

Standards and Interpretations Issued but not yet Effective

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 percent” 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 Noncurrent*
- 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*

4. Cash

This account consists of:

	As of September 30, 2021	As of December 31, 2020
Cash on hand	P42,500	P22,500
Cash in banks	35,218,795	58,955,047
	35,261,295	P58,977,547

Cash in banks earns interest from the respective bank deposit rates. Interest income earned from cash in banks amounted to P0.16 million and P0.26 million for the nine months ended September 30, 2021, and 2020, respectively.

5. Receivables

This account consists of:

	As of September 30, 2021	As of December 31, 2020
Finance lease receivable	P2,714,393,548	P2,242,581,055
Due from related parties	153,878,288	2,242,543,812
Trade receivables		
Accrued rent	–	–
Billed	116,288,144	97,316,019
Other receivables	548,152	897,650
	2,985,108,132	4,583,338,536
Less allowance for credit losses	14,923,759	14,923,759
	2,970,184,373	4,568,414,777
Less noncurrent portion of finance lease receivable	2,611,074,642	2,194,794,056
	P359,109,731	P2,373,620,721

Other receivables pertain to noninterest-bearing advances to contractors which are subject to liquidation upon completion.

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

As of September 30, 2021 and 2020, (unaudited) aging of analysis of past due but not impaired trade receivables present per class as follow:

	As of September 30, 2021	Neither Past Due nor Impaired	Past Due but not impaired					Total	Individually Impaired	Total
			<30 days	30-60 days	61-90 days	91-120 days	>120 days			
Due from related parties		P153,878,288	P–	P–	P–	P–	P–	P–	P–	P153,878,288
Finance lease receivable		2,714,393,548	–	–	–	–	–	–	–	2,714,393,548
Trade receivables		–	14,100,426	4,577,954	15,017,988	34,254,473	33,413,544	101,364,385	14,923,759	116,288,144
Others		548,152	–	–	–	–	–	–	–	548,152
Total		P2,831,113,541	P14,100,426	P4,577,954	P15,017,988	P34,254,473	P33,413,543	P101,364,384	P14,923,759	P2,985,108,132

The movements in allowance for credit losses follows:

	September 30, 2021	December 31, 2020
Balance at beginning of year	P14,923,759	P7,664,917
Additions	–	7,258,842
Balance at end of year	P14,923,759	P14,923,759

6. Other Assets

Other Current Assets

This account consists of:

	As of September 30, 2021	As of December 31, 2020
Input VAT	P187,737,759	P158,306,544
Creditable withholding taxes	103,113,784	112,971,793
Prepaid expenses	172,839,739	–
Recoverable deposits	10,034,460	10,034,460
	P473,725,742	P281,312,797

Input VAT is applied against output VAT within 12 months. This includes input VAT claimed for a refund amounting to P6.39 million, which is awaiting approval from the BIR.

Prepaid expenses pertain to payments of business taxes and real property taxes which is amortized over a year. This includes also payment of local transfer taxes for the Property-for-share swap assets which will be capitalized upon effectivity of the Property-for-share swap transaction.

Creditable withholding taxes represent the amount withheld from 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:

	As of September 30, 2021	As of December 31, 2020
Deferred input VAT	P945,793,678	P614,857,354
Input VAT	695,293,658	386,349,436
Advances to contractors	2,092,127	455,357
	P1,643,179,463	P1,001,662,147

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding P1.00 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 is recoverable in future periods.

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

7. Investment Properties

	2021	2020	
	September 30 (Unaudited)	December 31 (As restated)	January 1 (As restated)
Beginning of the period	P29,189,674,985	P25,380,629,552	P25,380,629,552
Acquisitions	5,721,056,881	2,336,957,658	—
Property under finance lease	(389,971,485)	—	—
Gain on fair value adjustment	304,472,395	1,472,087,775	—
End of the period	P34,825,232,776	P29,189,674,985	P25,380,629,552

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

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

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

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

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

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

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

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Increase in fair value of investment properties	₱323,271,757	₱500,993,548
Straight-line adjustment	(18,799,362)	(18,119,310)
Lease commissions	–	(7,049,542)
	₱304,472,395	₱475,824,696

8. Accounts and Other Payables

This account consists of:

	As of September 30, 2021	As of December 31, 2020
Due to related parties	₱398,891,323	₱405,111,433
Accrued expenses		
Repairs and maintenance	13,934,836	14,331,615
Rent	6,135,314	12,654,660
Light and water	15,686,684	10,770,650
Others	25,949,958	18,838,974
Taxes payable	31,108,749	24,485,058
Accounts payable	21,525,847	26,949,888
Retention payable	1,556,708	785,200
	₱514,789,419	₱513,927,478

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

Taxes payable consist of amounts payable to the taxing authority on 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 the contractor's progress billings withheld by the Company 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.

9. Short-term loans and interest payable

The loans payable amounting to ₱4,049.00 million and nil as of September 30, 2021, and December 31, 2020, respectively, on short-term, unsecured, and interest-bearing 30-day term loans entered by the Company with different local banks with an average interest rate of 2%.

Interest expense recognized in the statement of comprehensive income for the nine months ended September 30, 2021, amounted to ₱61.16 million. The remaining interest payable amounted to ₱1.78 million as of September 30, 2021.

10. Deposits and Other Liabilities

This account consists of:

	As of September 30, 2021	As of December 31, 2020
Advance rentals	P575,330,191	P406,952,127
Security deposits	525,414,714	383,208,715
Deferred credits	61,932,411	61,932,409
	1,162,677,316	852,093,251
Less current portion	413,287,069	129,399,846
	P749,390,247	P722,693,405

The current portion of these accounts follows:

	As of September 30, 2021	As of December 31, 2020
Security deposits	P121,901,337	P83,737,432
Advance rentals	286,615,109	45,536,484
Deferred credits	4,770,623	125,930
	P413,287,069	P129,399,846

Advance rentals

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

Security deposits

Security deposits represent deposits from lessees to secure 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.

11. Equity

Capital stock

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

	As of September 30, 2021	As of December 31, 2020
Authorized	1,174,000,000	1,174,000,000
Par value per share	P10.00	P10.00
Issued and outstanding shares	1,025,656,435	1,025,656,435

The changes in the number of shares are as follows:

	September 30, 2021 Common	December 31, 2020 Common
Authorized number of shares		
Balance at beginning and end of period at P1 par value	1,174,000,000	1,174,000,000
Issued shares		
Balance at beginning and end of period	1,092,986,405	1,045,122,405
Issuance of new shares (a)	-	47,864,000
Balance at end of period	1,092,986,405	1,092,986,405

Treasury shares		
Balance at beginning and end of period	(67,329,970)	(67,329,970)
Outstanding	1,025,656,435	1,025,656,435

- a. On June 23, 2020, the Company's Board of Directors (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 ₱27.00 per share.

Initial Public Offering (IPO)

On July 10, 2020, the SEC effectively rendered the Company's REIT Plan and registered its 1,092,986,405 common shares.

On July 15, 2020, the Philippine Stock Exchange, Inc. (PSE) approved the Company's application 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 directly attributable to the issuance or subscription of new shares amounting to ₱28.01 million in 2020.

Declaration and Payment of Cash Dividends

On August 17, 2020, the Company's BOD approved the declaration of cash dividends for the first and second quarter of 2020 amounting to ₱0.28 and ₱0.31 per outstanding common share, respectively, to stockholders on the record date as of September 2, 2020, amounting to ₱605.14 million. These were paid on September 15, 2020.

On November 17, 2020, the Company's BOD approved the declaration of cash dividends for the third quarter of 2020, amounting to ₱0.34 per outstanding common share, to stockholders on the record date as of December 7, 2020, amounting to ₱348.72 million. The cash dividend was paid on December 17, 2020.

On February 24, 2021, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2020 amounting to ₱0.39 per outstanding common share to stockholders on the record date as of March 15, 2021 amounting to ₱400.01 million. The cash dividend was paid on March 25, 2021.

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

On August 12, 2021, the Company's BOD approved the declaration of cash dividends for the second quarter of 2021, amounting to ₱0.44 per outstanding common share to stockholders on record as of August 26, 2021, amounting to ₱451.29 million. The cash dividend was paid on September 10, 2021, to stockholders.

On September 22, 2021, the Company's BOD approved the declaration of cash dividends for the third quarter of 2021, amounting to ₱0.44 per outstanding common share to stockholders on record as of October 06, 2021, amounting to ₱451.29 million. The cash dividend was paid on October 22, 2021, to stockholders.

Distributable Income

The computation of the distributable income of the Company as of September 30, 2021, is shown below:

	September 30, 2021 (Unaudited)
Net income	P1,796,209,230
Add (Less): Unrealized gain on fair value change in investment properties	(304,472,395)
Gain on finance lease	(28,309,398)
Distribution adjustments	-
Distributable Income	P1,463,427,437

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 makes 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 September 30, 2021, and December 31, 2020, follow:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Paid-up capital	P10,929,864,050	P10,929,864,050
Additional paid-in capital	785,681,404	785,681,404
Treasury shares	(673,299,700)	(673,299,700)
Retained earnings	22,279,638,216	21,765,499,530
	P33,321,883,970	P32,807,745,284

12. Income Tax

Provision for (benefit from) income tax consists of:

	September 30, 2021 (Unaudited)	September 30, 2020 (Unaudited)
Current	P-	P173,735,933
Deferred	-	(3,454,687,621)
Final	31,898	51,683
	P31,898	P(3,280,900,005)

The deferred provision for income tax in 2020 include the reversal of deferred tax liabilities amounting to P3,387.45 million. As of January 1, 2020, as a result of the change in accounting policy from cost method to fair value method, the Company recognized deferred tax liabilities amounting to P3,387.45 million. This was determined by applying the Company's old tax regime using 18% effective tax rate under Optional Standard Deduction to the cumulative fair value increase of P18,819.20 million as of January 1, 2020. After the Company's listing on August 13, 2020, deferred taxes are measured using zero effective tax rate based on applicable tax regime under the REIT law and after considering the effect of the expected future dividend distributions. Accordingly, the recognized deferred tax liabilities as of January 1, 2020 is subsequently reversed to the statement of comprehensive income for the nine months ended September 30, 2020.

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

13. 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 related if they are subject to common control or common significant influence, including affiliates.

Terms and Conditions of Transactions with Related Parties

In its regular conduct of business, the Company 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 occur 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 value and outstanding balances of transactions that have been entered into with related parties for the relevant financial year:

September 30, 2021				
Category	Value	Outstanding Balance	Terms	Conditions
Finance lease receivable				
Makati North Hotel Ventures, Inc.	P2,282,909,617	P2,282,909,617	Noninterest-bearing;	Unsecured;
North Eastern Commercial Corp.	439,895,640	439,895,640	Payable quarterly	No impairment
Due from related parties				
Parent Company				
Ayala Land, Inc	529,984,926	19,746,091	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Affiliates*				
ALO Prime Realty Corporations	53,669,871	53,669,871	Noninterest-bearing; On-demand	Unsecured; No impairment
Bay City Commercial Ventures Corp.	7,983,176	14,556,284	Interest-bearing; On-demand	Unsecured; No impairment
Arvo Commercial Corporation	116,453,869	8,768,252	Interest-bearing; On-demand	Unsecured; No impairment
Makati North Hotel Ventures, Inc.	8,605,250	8,605,250	Noninterest-bearing; On-demand	Unsecured; No impairment
Integrated Microelectronics Inc	6,185,277	6,185,277	Interest-bearing; On-demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp	39,220,982	5,687,206	Interest-bearing; On-demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp.	53,040,056	4,363,618	Interest-bearing; On-demand	Unsecured; No impairment
HLC Development Corporation	20,625,429	3,768,013	Interest-bearing; On-demand	Unsecured; No impairment
Alveo Land Corp.	1,873,562	1,719,948	Noninterest-bearing; On-demand	Unsecured; No impairment
Airswift Transport, Inc.	2,550,667	2,550,667	Interest-bearing; On-demand	Unsecured; No impairment
Ayalaland Malls Synergies, Inc.	1,945,589	2,464,491	Interest-bearing; On-demand	Unsecured; No impairment
Arca South Commercial Ventures Corp.	116,678,221	2,250,258	Interest-bearing; On-demand	Unsecured; No impairment
Amaia Land Corp.	–	2,036,516	Interest-bearing; On-demand	Unsecured; No impairment
Westview Commercial Ventures Corp.	–	1,816,394	Interest-bearing; On-demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc.	172,533	1,795,182	Interest-bearing; On-demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation	67,002,587	1,490,983	Interest-bearing; On-demand	Unsecured; No impairment
ALI Makati Hotel Property, Inc.	76,648,262	1,004,074	Interest-bearing; On-demand	Unsecured; No impairment
Ayala Property Management Corporation	197,201	920,076	Interest-bearing; On-demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc.	24,950,003	657,962	Interest-bearing; On-demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation	25,841,449	537,083	Interest-bearing; On-demand	Unsecured; No impairment
Soltea Commercial Corp.	21,452,637	159,346	Interest-bearing; On-demand	Unsecured; No impairment
Laguna Technopark Inc.	52,243,886	397,970	Interest-bearing; On-demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc.	–	119,225	Interest-bearing; On-demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc.	4,291,375	61,579	Interest-bearing; On-demand	Unsecured; No impairment
ALI Commercial Center, Inc.	14,970,239	51,916	Interest-bearing; On-demand	Unsecured; No impairment
BellaVita Land Corp.	–	39,830	Interest-bearing; On-demand	Unsecured; No impairment
Cebu Holdings, Inc.	–	38,382	Interest-bearing; On-demand	Unsecured; No impairment
Central Block Developers, Inc.	390,085,003	3,700	Interest-bearing; On-demand	Unsecured; No impairment
North Triangle Depot Commercial Corp	985	985	Interest-bearing; On-demand	Unsecured; No impairment
Sunnyfield E-Office Corp.	–	150	Interest-bearing; On-demand	Unsecured; No impairment
		P 2,868,271,836		

September 30, 2021				
Category	Value	Outstanding Balance	Terms	Conditions
Due to related parties				
Parent Company				
Ayala Land, Inc.	₱35,807,356	₱35,807,356	Noninterest-bearing; Due and demandable	Unsecured
Affiliates*				
AREIT Fund Managers, Inc.	181,589,874	181,589,874	Noninterest-bearing; On-demand	Unsecured
AREIT Property Managers, Inc.	98,519,246	98,519,246	Noninterest-bearing; On-demand	Unsecured
AyalaLand Offices, Inc.	–	31,157,942	Noninterest-bearing; On-demand	Unsecured
North Eastern Commercial Corp.	18,774,349	18,774,349	Noninterest-bearing; On-demand	Unsecured
HLC Development Corporation	10,028,457	10,028,457	Noninterest-bearing; On-demand	Unsecured
Direct Power Services, Inc.	16,147,290	8,580,147	Noninterest-bearing; On-demand	Unsecured
Ayala Property Management, Corp.	7,416,455	7,682,407	Noninterest-bearing; On-demand	Unsecured
Ayalaland Metro North, Inc.	3,000,000.00	3,000,000.00	Noninterest-bearing; On-demand	Unsecured
Makati Development Corp.	–	2,019,459	Noninterest-bearing; On-demand	Unsecured
Others**	1,732,086	1,732,086	Interest-bearing and noninterest-bearing; On-demand	Unsecured
		₱398,891,323		

*Entities under common control

**Entities below ₱2.00 million

Category	December 31, 2020			
	Volume	Outstanding Balance	Terms	Conditions
Finance lease receivable				
Makati North Hotel Ventures, Inc.	P2,267,931,937	P2,242,581,055	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
Due from related parties				
Parent Company				
Ayala Land, Inc	213,486,694	704,987,832	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Affiliates*				
Central Block Developers, Inc.	274,478,804	390,088,703	Interest-bearing; On-demand	Unsecured; No impairment
Arvo Commercial Corporation	125,222,121	205,762,016	Interest-bearing; On-demand	Unsecured; No impairment
Ten Knots Philippines, Inc.	121,237,212	121,237,212	Interest-bearing; On-demand	Unsecured; No impairment
Arca South Commercial Ventures Corp.	118,928,479	118,928,479	Interest-bearing; On-demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation	68,493,570	117,088,223	Interest-bearing; On-demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp.	57,403,674	88,744,234	Interest-bearing; On-demand	Unsecured; No impairment
ALI Makati Hotel Property, Inc.	77,652,336	77,652,336	Interest-bearing; On-demand	Unsecured; No impairment
Soltea Commercial Corp.	21,900,715	59,689,408	Interest-bearing; On-demand	Unsecured; No impairment
Laguna Technopark Inc.	52,641,856	52,641,856	Interest-bearing; On-demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp	44,908,188	50,596,462	Interest-bearing; On-demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc.	1,622,649	42,812,127	Interest-bearing; On-demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation	26,378,532	26,479,453	Interest-bearing; On-demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc.	25,607,965	25,607,965	Interest-bearing; On-demand	Unsecured; No impairment
HLC Development Corporation	24,393,442	24,393,442	Interest-bearing; On-demand	Unsecured; No impairment
Bay City Commercial Ventures Corp.	22,539,460	22,539,460	Interest-bearing; On-demand	Unsecured; No impairment
Leisure and Allied Industries Phils. Inc.	20,050,000	20,050,000	Interest-bearing; On-demand	Unsecured; No impairment
Sicogon Island Tourism Estate Corp.	18,027,500	18,027,500	Interest-bearing; On-demand	Unsecured; No impairment
ALI Commercial Center, Inc.	15,022,155	15,022,155	Interest-bearing; On-demand	Unsecured; No impairment
Nuevocentro, Inc.	11,072,450	11,072,450	Interest-bearing; On-demand	Unsecured; No impairment
Hillsford Property Corporation	10,009,511	10,009,511	Interest-bearing; On-demand	Unsecured; No impairment
Makati North Hotel Ventures, Inc.	8,605,250	8,605,250	Noninterest-bearing; On-demand	Unsecured; No impairment
First Gateway Real Estate Corp.	10,524,108	8,432,222	Noninterest-bearing; On-demand	Unsecured; No impairment
Sicogon Town Hotel, Inc.	8,014,056	8,014,056	Interest-bearing; On-demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc.	4,352,954	4,352,954	Interest-bearing; On-demand	Unsecured; No impairment
Airswift Transport, Inc.	2,550,667	,550,667	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Malls Synergies, Inc.	518,902	2,507,137	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp.	2,030,502	2,030,502	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp.	1,816,394	1,816,394	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation	561,175	561,175	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc.	119,225	119,225	Interest-bearing; On demand	Unsecured; No impairment
BellaVita Land Corp.	39,830	39,830	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc.	38,382	38,382	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp.	4,661,787	33,114	Noninterest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp	11,930	11,930	Interest-bearing; On-demand	Unsecured; No impairment

Sunnyfield E-Office Corp.	150	150	Interest-bearing; On-demand	Unsecured; No impairment
		P2,242,543,812		

Category	December 31, 2020			
	Volume	Outstanding Balance	Terms	Conditions
Due to related parties				
Parent Company				
Ayala Land Inc.	P86,040,072	P306,091,203	Noninterest-bearing, due and demandable	Unsecured
Affiliates*				
AREIT Fund Managers, Inc.	37,373,124	37,373,124	Noninterest-bearing; On-demand	Unsecured
AREIT Property Managers, Inc.	28,598,120	28,598,120	Noninterest-bearing; On-demand	Unsecured
HLC Development Corporation	20,987,186	13,773,210	Noninterest-bearing; On-demand	Unsecured
Ayala Property Management, Corp.	6,720,868	6,720,868	Noninterest-bearing; On-demand	Unsecured
Direct Power Services, Inc.	42,535,151	3,317,064	Noninterest-bearing; On-demand	Unsecured
AyalaLand Offices, Inc.	4,157,942	4,157,942	Noninterest-bearing; On-demand	Unsecured
Makati Development Corp.	–	2,019,459	Noninterest-bearing; On-demand	Unsecured
Manila Water Company, Inc.	2,061,853	2,061,853	Noninterest-bearing; On-demand	Unsecured
Others**	998,590	998,590	Interest-bearing and noninterest-bearing; On-demand	Unsecured
	P	P405,111,433		

*Entities under common control

**Entities below P2.00 million

14. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, receivables, accounts, and other payables and security deposits that 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 to the BOD.

Exposure to credit, interest rate, and liquidity risks arise in the ordinary 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.

Before the 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.

Liquidity risk

The Company actively manages its liquidity position 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 promptly and at a reasonable cost and ensures the availability of ample unused credit facilities as backup liquidity.

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

September 30, 2021				
	< 1 year	1 to 5 years	> 5 years	Total
Financial assets				
Cash in banks	P35,218,795	P—	P—	P35,218,795
Receivables				
Finance lease receivable	52,682,832	56,549,854	2,605,160,862	2,714,393,548
Due from related parties	153,878,288	—	—	153,878,288
Trade receivables*	101,364,385	—	—	101,364,385
Recoverable deposits	10,034,460	—	—	10,034,460
	P353,178,760	P56,549,854	P2,605,160,862	P3,014,889,476
Financial liabilities				
Accounts and other payables				
Due to related parties	P398,891,323	P—	P—	P398,891,323
Accrued expenses	61,706,792	—	—	61,706,792
Accounts payable	21,525,847	—	—	21,525,847
Retention payable	1,556,708	—	—	1,556,708
Short-term loans payable	4,049,000,000	—	—	4,049,000,000
Lease liability	35,154,216	308,014,630	571,469,150	914,637,996
Security deposits	121,901,337	381,007,722	22,505,656	525,414,715
	P4,689,736,223	P689,022,352	P593,974,806	P5,972,733,381

*net of allowance for credit losses

December 31, 2020				
	< 1 year	1 to 5 years	> 5 years	Total
Financial assets				
Cash in banks	P58,955,047	P—	P—	P58,955,047
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
	P2,512,681,444	P407,875,707	P2,133,348,369	P5,053,905,520
Financial liabilities				
Accounts and other payables				
Due to related parties	P405,111,433	P—	P—	P405,111,433
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
	P573,179,852	P299,471,283	P—	P872,651,135

*net of allowance for credit losses

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 continuously its exposure to credit risks.

Credit risk arising from rental income from leased properties is primarily managed through a tenant selection process. Following 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 continuously 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 the credit risk of all financial assets is equal to their carrying amounts.

15. Fair Value Hierarchy

Fair Value Information

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

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

As of September 30, 2021, and December 31, 2020, the Company has no financial instrument measured at fair value. On September 30, 2021 and December 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

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

16. Notes to Interim Statements of Cash Flow

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

Operating

- Interest income from finance lease amounting to ₱134.84 million and ₱112.90 million for nine months ended September 30, 2021, and 2020.
- Noncash movement in "Receivables" amounting to ₱418.28 million and the ₱28.31 million gain on finance lease receivables from the lease agreement with NECC in 2021 (nil in 2020).

Investing

- Noncash movement in "Investment Properties" amounting to ₱389.97 million arising from lease agreement with NECC in 2021.

Financing

- Interest expense on the accretion of interest related to lease liabilities amounting to ₱42.79 million and ₱37.26 million for nine months ended September 30, 2021, and 2020.

17. Segment Reporting

The Company has determined that it is currently operating as one operating segment. Based on management's assessment, no part or component of the business of the Company meets the qualifications of an operating segment as defined by *PFRS 8, Operating Segments*.

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

18. Seasonality of Operations

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

19. Events After Financial Reporting Date

On October 8, 2021, AREIT received the approval of the Securities and Exchange Commission (SEC) of the Company's property-for-share swap, specifically the subscription of Ayala Land, Inc. (ALI) and its subsidiaries, Westview Commercial Ventures Corp. and Glensworth Development, Inc. (collectively referred to as Subsidiaries) to 483,254,375 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, according to the Deed of Exchange dated 08 June 2021.

In line with this, the parties have executed an Amendment to Section 4.2 of the Deed of Exchange on 07 October 2021 so that the recognition of income from the new assets will accrue to AREIT beginning 01 October 2021, instead of 01 November 2021. This will enable shareholders to fully benefit from the contribution of the new assets starting in the fourth quarter of the year.

AREIT will also apply for the issuance of the Certificate Authorizing Registration for the new assets from the Bureau of Internal Revenue and the listing of the shares in favor of ALI and the Subsidiaries within the year.

Furthermore, the SEC also approved the following amendments to AREIT's Articles of Incorporation:

1. The increase in our authorized capital stock from Php11,740,000,000.00 to Php29,500,000,000.00.
2. The increase in the number of directors from seven (7) to eight (8) making effective the election of Ms. Mariana Zobel de Ayala as a member of our Board of Directors.

The SEC likewise approved the amendment of various sections of the By-Laws to align with the Revised Corporation Code and recognize good corporate governance practices and to digitalize certain governance processes.

Item 2. Management's Discussion and Analysis on the Results of Operation and Financial Condition

Review of 9M 2021 operations vs 9M 2020

AREIT, Inc. (AREIT or "the Company") net income after tax decreased by 68% from ₱5,544.90 million in 2020 to ₱1,796.21 million in 2021. The decrease was mainly due to reversal of deferred tax liabilities in 2020 due to the Company's availment of tax incentive under REIT law.

Revenues

Total revenues increased by 46% from ₱1,448.64 million in 2020 to ₱2,116.97 million in 2021. This was mainly driven by higher rental income and net dues.

Rental Income increased by 49% from ₱1,071.67 million in 2020 to ₱1,595.52 million in 2021. The increase was primarily attributable to the addition of The 30th commercial development and Laguna Technopark lots and from the full operations of McKinley Exchange Corporate Center and Teleperformance Cebu, which were added to the Company's portfolio in February and October 2020, respectively.

Dues increased by 46% from ₱264.07 million in 2020 to ₱386.60 million in 2021. The increase was attributable to the operations of new assets acquired in 2021 as well from the full-year effect of assets acquired in 2020.

Interest income from the finance lease is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019, and the long-term lease of North Eastern Commercial Corp with the Company, which commenced in January 2021. The Company recognized interest income from finance lease amounting to ₱134.84 million and ₱112.90 million on September 30, 2021, and 2020, respectively.

Cost and Expenses

Direct operating expenses increased by 61% from ₱320.75 million in 2020 to ₱517.84 million in 2021. The increase was primarily attributable to an increase in the management fee of ₱126.79 million, an increase in the land lease of ₱30.93 million, and an increase in taxes and licenses of ₱30.69 million. These increases were related to the operations of The 30th commercial development, McKinley Exchange Corporate Center, and Teleperformance Cebu.

General and administrative expenses decreased by 33%, from ₱49.45 million in 2020 to ₱32.97 million in 2021.

Other Income (charges)

Gain under finance lease amounted to ₱28.31 million in 2021. In January 2021, our Company entered into a long-term building lease agreement with North Eastern Commercial Corp. for the lease of the retail podium of The 30th development. North Eastern Commercial Corp. is wholly owned by Ayala Land, Inc. The Company classified the agreement as a finance lease. Our Company remains to be the legal owner of the portion of the building under a finance lease.

Interest Income decreased by 93% from ₱63.48 million in 2020 to ₱4.42 million in 2021. The decrease was mainly due to the decrease in interest income from intercompany loans from ₱63.22 million in 2020 to ₱4.26 million in 2021.

Interest expense increased by 159% from ₱41.33 million in 2020 to ₱107.16 million in 2021. The increase was primarily attributable to the recognition of interest expense on loans amounting to ₱61.16 million in 2021 and interest expense from finance lease amounting to ₱42.79 million and ₱37.26 million on September 30, 2021, and 2020.

Provision for Income Tax

Provision for income tax significantly decreased by 100% from tax benefit of ₱3,280.90 million in 2020 to tax liability of ₱0.03 million in 2021. The decrease was mainly due to zero net taxable income in 2020.

Capital Expenditure

AREIT acquired parcels of land in Laguna Technopark from Technopark Land, Inc. on January 5, 2021, for a total amount of ₱987.98 million. The Company also acquired the 30th commercial development from Ayala Land, Inc. on January 15, 2021, for a total amount of ₱4,564.34 million.

Property Performance (as of September 30, 2021)

	Solaris	Ayala North Exchange	MECC	TP Cebu	The30th	Laguna Technopark Land
Location	Makati	Makati	Makati	Cebu	Pasig	Laguna
Acquisition cost (in millions)	₱1,767 M	₱6,913 M	n/a	₱1,450 M	₱4,564 M	₱988 M
Valuation cost (in millions)	₱12,170 M	₱13,656 M	₱1,940 M	₱2,510 M	₱4,643 M	₱1,087 M
Occupancy rates	98%	99%	99%	100%	99%	100%
WALE (years)	4	12	1	6	3	6
Remaining Land lease term	27	37	33	30	35	n/a
Revenue Contribution in 9M 2021	28%	37%	5%	7%	20%	3%
Cost contribution in 9M 2021	25%	47%	3%	4%	20%	1%

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

	Solaris	Ayala North Exchange	MECC	TP Cebu	The30th	Laguna Technopark Land	Total
Rental Income	₱433 M	₱683 M*	₱84 M	₱125 M	₱350 M*	₱56 M	₱1,730 M
Gross Revenues	₱590 M	₱777 M	₱103 M	₱156 M	₱435 M	₱56 M	₱2,117 M
	28%	37%	5%	7%	20%	3%	
DOE	₱130 M	₱244 M	₱16 M	₱21 M	₱104 M	₱3 M	₱518 M
Depreciation	-	-	-	-	-	-	-
Total DOE & Depreciation	₱130 M	₱244 M	₱16 M	₱21 M	₱104 M	₱3 M	₱518 M
	25%	47%	3%	4%	20%	1%	

*Rental income plus interest income from finance lease

Summary of Real Estate transactions for 9M 2021

On January 5, 2021, AREIT entered into a Deed of Absolute Sale with Technopark Land, Inc., a subsidiary of Ayala Corporation, to acquire 98 thousand square meters of land located in Laguna Technopark for Php1.1 billion (VAT inclusive). Integrated Micro-Electronics, Inc. leases it for its manufacturing operations. The price was derived from a third-party valuation, using the market approach with a yield of 6.28% based on total acquisition cost.

On 15 Jan 2021, AREIT entered into a Deed of Sale with Ayala Land Inc. to acquire The 30th Commercial Development for Php5.1 billion (VAT inclusive). The price was derived from a third-party

valuation, using the income approach with an EBITDA yield of 6.1% based on total acquisition cost. Located along Meralco Avenue in Pasig City, it has a total gross leasable area (GLA) of 75 thousand square meters composed of an office tower and a retail podium.

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

Balance Sheet items- September 2021 versus December 2020

Cash decreased by 40% primarily due to a higher cash used for acquisition of new assets.

Receivables decreased by 85% mainly due to the termination of intercompany lendings.

Other current assets increased by 38% due to higher input VAT, creditable withholding taxes, and prepaid expenses.

Investment properties up by 20% due to the acquisition of the 30th commercial development and parcels of land in Laguna Technopark and change in fair value of investment properties.

Other noncurrent assets increased by 63% due to higher deferred input VAT.

The current portion of deposits and other liabilities increased by 219% due to an increase in security deposit and advance rent.

Financial Condition

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

Total current assets, including cash, current portion of receivable, input VAT, creditable withholding tax, prepaid expenses, and recoverable deposits, stood at ₱779.61 million, resulting in a current ratio of 0.17:1.

Total borrowings registered at P4.05 billion which translated to a debt-to-equity ratio of 0.12:1 and a net debt-to-equity ratio of 0.12:1.

Return on equity was at 7% as of September 30, 2021.

There are no events that will trigger direct or contingent financial obligations that are material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in the nine months of 2021.

PART II- OTHER INFORMATION

Item 3. Developments as of September 30, 2021

- | | | | | | | | | | | | | | | | | | |
|--|---|----------------------------|----------|----------------|-----------------|--------------------|-----------|-----------------------|------------------------|------------------------|------------------------|--------------|---------------------------|----------------|----------------------|---------------|----------------------|
| A. New project or investments in another line of business or corporation | None | | | | | | | | | | | | | | | | |
| B. Composition of Board of Directors
(as of April 23, 2021) | <table border="0"> <tr> <td>Jose Emmanuel H. Jalandoni</td> <td>Chairman</td> </tr> <tr> <td>Carol T. Mills</td> <td>President & CEO</td> </tr> <tr> <td>Augusto D. Bengzon</td> <td>Treasurer</td> </tr> <tr> <td>Bernard Vincent O. Dy</td> <td>Non-Executive Director</td> </tr> <tr> <td>Mariana Zobel de Ayala</td> <td>Non-Executive Director</td> </tr> <tr> <td>Omar T. Cruz</td> <td>Lead Independent Director</td> </tr> <tr> <td>Enrico S. Cruz</td> <td>Independent Director</td> </tr> <tr> <td>Simeon S. Cua</td> <td>Independent Director</td> </tr> </table> | Jose Emmanuel H. Jalandoni | Chairman | Carol T. Mills | President & CEO | Augusto D. Bengzon | Treasurer | Bernard Vincent O. Dy | Non-Executive Director | Mariana Zobel de Ayala | Non-Executive Director | Omar T. Cruz | Lead Independent Director | Enrico S. Cruz | Independent Director | Simeon S. Cua | Independent Director |
| Jose Emmanuel H. Jalandoni | Chairman | | | | | | | | | | | | | | | | |
| Carol T. Mills | President & CEO | | | | | | | | | | | | | | | | |
| Augusto D. Bengzon | Treasurer | | | | | | | | | | | | | | | | |
| Bernard Vincent O. Dy | Non-Executive Director | | | | | | | | | | | | | | | | |
| Mariana Zobel de Ayala | Non-Executive Director | | | | | | | | | | | | | | | | |
| Omar T. Cruz | Lead Independent Director | | | | | | | | | | | | | | | | |
| Enrico S. Cruz | Independent Director | | | | | | | | | | | | | | | | |
| Simeon S. Cua | Independent Director | | | | | | | | | | | | | | | | |
| C. Performance of the corporation or result/progress of operations | Please see unaudited financial statements and management's discussion on the results of operations. | | | | | | | | | | | | | | | | |
| D. Declaration of dividends | <p>₱0.39 cash dividend per outstanding common share
Declaration date: February 24, 2021
Record date: March 15, 2021
Payment date: March 25, 2021</p> <p>₱0.42 cash dividend per outstanding common share
Declaration date: May 26, 2021
Record date: June 11, 2021
Payment date: June 25, 2021</p> <p>₱0.44 cash dividend per outstanding common share
Declaration date: August 12, 2021
Record date: August 26, 2021
Payment date: September 10, 2021</p> <p>₱0.44 cash dividend per outstanding common share
Declaration date: September 22, 2021
Record date: October 6, 2021
Payment date: October 22, 2021</p> | | | | | | | | | | | | | | | | |
| E. Contracts of merger, consolidation, or joint venture; contract of management, licensing, marketing, distributorship, technical assistance, or similar agreements | None | | | | | | | | | | | | | | | | |
| F. Offering of rights, granting of Stock Options and corresponding plans therefore | None | | | | | | | | | | | | | | | | |

- | | |
|---|------|
| G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate | None |
| H. Other information, material events, or happenings that may have affected or may affect the market price of the security | None |
| I. Transferring of assets, except in the normal course of business | None |

Item 4. Other Notes to 9M 2021 Operations and Financials

- | | |
|--|---|
| J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents | Please see Item 2: Management's Discussion on Results of Operations and Analysis. |
| K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period | Please see page 26: Causes for any material changes (+/- 5% or more) in the financial statements |
| L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities | None |
| M. Material events subsequent to the end of the interim period that has not been reflected in the financial statements for the interim period | <p>On October 8, 2021, AREIT received the approval of the Securities and Exchange Commission (SEC) of the Company's property-for-share swap, specifically the subscription of Ayala Land, Inc. (ALI) and its subsidiaries, Westview Commercial Ventures Corp. and Glensworth Development, Inc. (collectively referred to as Subsidiaries) to 483,254,375 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, pursuant to the Deed of Exchange dated 08 June 2021.</p> |

In line with this, the parties have executed an Amendment to Section 4.2 of the Deed of Exchange on 07 October 2021 so that the recognition of income from the new assets will accrue to AREIT beginning 01 October 2021, instead of 01 November 2021. This will enable shareholders to fully benefit from the contribution of the new assets starting in the fourth quarter of the year.

AREIT will also apply for the issuance of the Certificate Authorizing Registration for the new assets from the Bureau of Internal Revenue and the listing of the shares in favor of ALI and the Subsidiaries within the year.

Furthermore, the SEC also approved the following amendments to AREIT's Articles of Incorporation:

The increase in our authorized capital stock from Php11,740,000,000.00 to Php29,500,000,000.00. The increase in the number of directors from seven (7) to eight (8) making effective the election of Ms. Mariana Zobel de Ayala as a member of our Board of Directors.

The SEC likewise approved the amendment of various sections of the By-Laws to align with the Revised Corporation Code, recognized good corporate governance practices, and digitalized certain governance processes.

- | | |
|--|---|
| <p>N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations</p> | <p>None</p> |
| <p>O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date</p> | <p>None</p> |
| <p>P. Other material events or transactions during the interim period</p> | <p>On August 12, 2021, the Board of Directors of AREIT at its meeting approved the following items:</p> <ul style="list-style-type: none"> • The declaration of cash dividends of Php0.44 per outstanding common share for the second quarter of 2021. The cash dividends will be payable on September 10, 2021, to stockholders of record as of August 26, 2021. • The appointment of the following as endorsed by our Corporate Governance and Nomination Committee: <ul style="list-style-type: none"> ○ Ms. Ma. Teresa R. Famy as our Treasurer effective immediately. Ms. Famy is also our Chief Finance Officer and Chief Compliance Officer. ○ Mr. Simeon S. Cua, one of our Independent Directors, as the Chairman of the Sustainability Committee replacing Ms. Carol T. Mills. Ms. Mills will remain to be a member of our Sustainability Committee who will replace Ms. Elaine Marie F. Alzona. • The adoption of the Sustainability Committee Charter. |

On September 22, 2021, the Board of Directors of AREIT, at its meeting, approved the declaration of cash dividends of

P0.44 per outstanding common share for the third quarter of 2021. The cash dividends will be payable on October 22, 2021, to stockholders on record as of October 6, 2021.

Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation	None
R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period	None
S. Material commitments for capital expenditures, general-purpose and expected sources of funds	None
T. Known trends, events, or uncertainties that have had or that are reasonably expected to have an impact on sales/revenues/ income from continuing operations	AREIT's performance will be dependent on the state of the Philippine Office Sector.
U. Significant elements of income or loss that did not arise from continuing operations	None
V. Causes for any material change/s from period to period, in one, or more line items of the financial statements	Please see Notes to Financial Statements (Item 2: Management's Discussion on Results of Operations and Analysis).
W. Seasonal aspects that had a material effect on the financial condition or results of operations	None
X. Disclosures not made under SEC Form 17-C	None.

Item 5. Performance Indicators

The table below shows AREIT's performance indicators:

	End-Sept 2021 (Unaudited)	End-December 2020 (As restated)
Current ratio ¹	0.17:1	3.71:1
Debt-to-equity ratio ²	0.12:1	—
Net debt-to-equity ratio ³	0.12:1	—
Profitability Ratios:		
Return on assets ⁴	6%	N/A
Return on equity ⁵	7%	N/A
Asset to Equity ratio ⁶	1.20:1	1.07:1

Notes:

- (1) *The current ratio is derived by dividing current assets by current liabilities at the end of a given period. The current ratio measures our ability to pay short-term obligations.*
- (2) *The debt to equity ratio is derived by dividing our total loans and borrowings by total equity. The debt to equity ratio measures the degree of our financial leverage.*
- (3) *The net debt to equity ratio is derived by dividing our total loans and borrowings less cash by total equity.*
- (4) *Return on assets is derived by annualized net income by total assets*
- (5) *Return on equity is derived by dividing annualized net income by average shareholders' equity. Return on equity measures how profitable we are at generating profit from each unit of shareholder equity.*
- (6) *The asset to equity ratio is derived by dividing total assets by shareholders' equity. Asset to equity ratio measures our financial leverage and long-term solvency.*

SIGNATURE

According to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **AREIT, INC.**

By:

A handwritten signature in black ink, appearing to read 'mfamy', written in a cursive style.

MA. TERESA R. FAMY

Chief Finance Officer and Chief Compliance Officer

Date: November 12, 2021

September 23, 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: Final Report on the Disbursement of Proceeds from the Sale of Teleperformance
Cebu ("TP Cebu") to AREIT, Inc. ("AREIT")

Dear Ms. Encarnacion,

We are pleased to submit our first tranche of the Final Report on the Application of Proceeds from the Sale of TP Cebu to AREIT, Inc., duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On September 24, 2020, Ayala Land, Inc. ("ALI") received net proceeds from Sale of TP Cebu amounting to Two Hundred Ninety Million Pesos Only (Php290,000,000.00).

As of September 23, 2021, ALI already disbursed the total net proceeds amounting to Two Hundred Ninety Million Pesos Only (Php290,000,000.00), in accordance with its Reinvestment plan.

The details of the disbursement are as follows:

Proceeds from Sale of TP Cebu, Sept 24, 2020	Php290,000,000.00
Less: Disbursements from July 1 to September 23, 2021	290,000,000.00
Balance of Proceeds from Sale of TP Cebu as of September 23, 2021	0

Thank you.

Very truly yours,



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



Ma. Teresa R. Famy
AREIT, Inc.
Chief Finance and Compliance Officer

SUBSCRIBED AND SWORN to before me this SEP 23 2021 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
Represented by:		
Augusto D. Bengzon	Passport No. P4323352B	08 Jan 2020/ DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
Represented by:		
Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration Date 05 Dec 2023

Doc No. 152;
Page No. 32;
Book No. XV;
Series of 204;

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




Ma. FLORENCE THERESE D.G. MARTINEZ-CRUZ
Notary Public - Makati City
App. No. 44-134 until December 31, 2021
Roll of Attorneys No. 60896
OP No. 136246 - 12/21/2020 - Makati City
No. 8533969ME - 01/04/2021 - Makati City
SE Compliance No. VI-0009482 - 06/20/2018
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

STRICTLY CONFIDENTIAL

REPORT OF FACTUAL FINDINGS

AYALA LAND, INC.

31st Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Mr. Augusto D. Bengzon**
Chief Finance Officer

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached first tranche of the Final Report as at **September 23, 2021** on the use of the proceeds from the sale of Teleperformance Cebu ("TP Cebu") to AREIT, Inc. ("AREIT") on **September 15, 2020**. The net proceeds from the sale amounted to **P1.45 billion** and out of this amount, **P290.00 million** was received on **September 24, 2020**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

1. Obtain the first tranche of the Final Report on Use of Proceeds from the sale of Teleperformance Cebu to AREIT, Inc. (the "Schedule") and perform the following:
 - Check the mathematical accuracy of the Schedule;
 - Check whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds;
 - On a sample basis, trace additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records.
 - On a sample basis, inquire into and identify the nature of the additions and disbursements. Check if the disbursements were classified consistently according to its nature based on the schedule of sale of TP Cebu.

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We traced the amounts disbursed by the Company during the period for the following projects amounting to P290.00 million to the progress billings, invoices and official receipts and agreed the amount to the accounting records. No exceptions noted.

Project Name	Amount
Andacillo	P84,400,000.00
The Courtyards	60,470,000.00
Arbor Lanes	18,300,000.00
Garden Court Residences	37,100,000.00
Cerilo	21,800,000.00
Ardia	11,208,000.00
Park Cascades 1&2	55,120,805.31
Tryne Enterprise Plaza	1,601,194.69
	P290,000,000.00

3. There were no additions during the period. Further, we inquired into and identified the nature of the disbursements. We checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of TP Cebu proceeds as documented in the Amended Reinvestment Plan dated August 31, 2021. We have noted that the abovementioned projects were included in the Amended Reinvestment Plan, and the amounts disbursed to these companies have not exceeded the planned use. No exceptions noted.

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

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

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

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

SEC Accreditation No. 0664-AR-4 (Group A),

November 11, 2019, valid until November 10, 2022

Tax Identification No. 160-302-865

BIR Accreditation No. 08-001998-073-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534357, January 4, 2021, Makati City

ACKNOWLEDGMENT

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

I certify that on SEP 23 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
Michael C. Sabado	P1178919B	March 25, 2019/DFA

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

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

Doc. No. 424 ;
Page No. 4 ;
Book No. 108 ;
Series of 2021.

NOTARY JOSHUA P. LAPUZ
Notary Public for and in Makati City
Notary Instrument No. 11-66 until 12/31/2021
RPN No. 45790, Reg. 4, 2021 Until Dec. 31, 2021 Makati City
Roll No. 45790, IRP, Lifetime N. 04897
MCLB No VI-0016565 / Jan. 14, 2019
C/S: Tedman Bojars, 199 Salcedo Street,
Legaspi Village, Makati City

October 06, 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: Final Report on the Disbursement of Proceeds from the Sale of Teleperformance
Cebu ("TP Cebu") to AREIT, Inc. ("AREIT")

Dear Ms. Encarnacion,

We are pleased to submit our final tranche of the Final Report on the Application of Proceeds from the Sale of TP Cebu to AREIT, Inc., duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On October 07, 2020, Ayala Land, Inc. ("ALI") received final net proceeds from the Sale of TP Cebu amounting to One Billion One Hundred Sixty Million Pesos Only (Php1,160,000,000.00).

As of October 06, 2021, ALI already disbursed the total net proceeds amounting to One Billion One Hundred Sixty Million Pesos Only (Php1,160,000,000.00), in accordance with its Reinvestment plan.

The details of the disbursement are as follows:

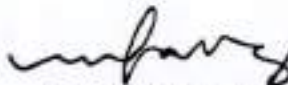
Final Proceeds from Sale of TP Cebu, October 07, 2020	Php1,160,000,000.00
Less: Disbursements from July 1 to October 06, 2021	<u>1,160,000,000.00</u>
Balance of Final Proceeds from Sale of TP Cebu as of October 06, 2021	0

Thank you.

Very truly yours,



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



Ma. Teresa R. Famy
AREIT, Inc.
Chief Finance and Compliance Officer

SUBSCRIBED AND SWORN to before me this OCT 16 2021 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i>		
Augusto D. Bengzon	Passport No. P4323352B	08 Jan 2020/ DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i>		
Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration Date 05 Dec 2023

Doc. No.: 351
Page No.: 72
Book No.: XXXVIII
Series of 2021

Notarial DST pursuant to
Section 188 of the Tax Code
affixed in Notary Public's copy



ROBERTO T. ONGSIAKO
Notary Public - Makati City
Reg. No. M-149 until December 31, 2022
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 - RSM Chapter
PTR No. 8533973ME - 01/04/2021 - Makati City
MCLE Compliance No. VII - 0000267 - 07/30/21
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

STRICTLY CONFIDENTIAL

REPORT OF FACTUAL FINDINGS

AYALA LAND, INC.

31st Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Mr. Augusto D. Bengzon**
Chief Finance Officer

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached final tranche of the Final Report as at **October 6, 2021** on the use of the proceeds from the sale of Teleperformance Cebu ("TP Cebu") to AREIT, Inc. ("AREIT") on **September 15, 2020**. The net proceeds from the sale amounted to **P1.45 billion** and out of this amount, **P1.16 billion** was received on **October 7, 2020**. The procedures were performed solely to enable Ayala Land, Inc. (the Company) to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

- I. Obtain the final tranche of the Final Report on Use of Proceeds from the sale of Teleperformance Cebu to AREIT, Inc. (the "Schedule") and perform the following:
 - Check the mathematical accuracy of the Schedule;
 - Check whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds;
 - On a sample basis, trace additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records.
 - On a sample basis, inquire into and identify the nature of the additions and disbursements. Check if the disbursements were classified consistently according to its nature based on the schedule of sale of TP Cebu.

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We traced the disbursement to the supporting documents. We have noted that the Company issued intercompany loans to the following companies to be used in the projects specified:

Distributing Entity	Start Date	Amount	Project Name
Avida Land Corp.	9/28/2021	P163,000,000	Avida Towers
Amaia Land Corp.	9/24/2021	28,000,000	Amaia Skies
Avida Land Corp.	9/24/2021	58,000,000	Avida Towers
Avida Land Corp.	10/4/2021	809,700,000	Avida Towers
		P1,058,700,000	

We have traced these amounts to the promissory notes and the bank statements and agreed the amounts to the accounting records. No exceptions noted.

We also traced the amounts disbursed by the Company during the period for the following projects amounting to P101.30 million to the progress billings, invoices and official receipts and agreed the amount to the accounting records. No exceptions noted.

Project Name	Amount
Tryne Enterprise Plaza	P52,488,805.31
Avida Towers Sola T1-T3	24,580,000.00
Avida Towers Vireo T1-T3	23,800,000.00
Ayala Triangle Garden 2 (Office)	431,194.69
	P101,300,000.00

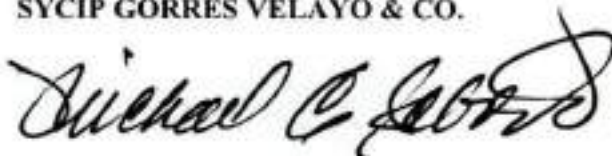
3. There were no additions during the period. Further, we inquired into and identified the nature of the disbursements. We checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of TP Cebu proceeds as documented in the Amended Reinvestment Plan dated August 31, 2021. We have noted that the abovementioned projects were included in the Amended Reinvestment Plan, and the amounts disbursed to these companies have not exceeded the planned use. No exceptions noted.

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

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

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

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 0664-AR-4 (Group A),

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-073-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534357, January 4, 2021, Makati City

ACKNOWLEDGMENT

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

I certify that on **OCT 06 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
Michael C. Sabado	P1178919B	March 25, 2019/DFA

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

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

Doc. No. 07 ;
Page No. 02 ;
Book No. 200 ;
Series of 2021.

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No. 8531012, Jan. 4, 2021 Until Dec. 31, 2021 Makati City
Roll No. 45790, IBP, Lifetime N. 04097
MCLE No VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

October 15, 2021

THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza
6th Floor, PSE Tower
Bonifacio Global City, Taguig

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

Subject: 2021 Third Quarter Progress Report on the Disbursement of Proceeds from the Initial Public Offering ("IPO") of AREIT, Inc. ("AREIT") and Sale of Teleperformance Cebu Building ("TP Cebu")

Dear Ms. Encarnacion,

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


Please be advised that as of September 30, 2021, the remaining balance of the proceeds from the AREIT IPO and Sale of Teleperformance Cebu amounts to Eight Hundred Nine Million Seven Hundred Thousand Pesos Only (Php809,700,000.00).

The details of the disbursement for the Third Quarter of 2021 are as follows:

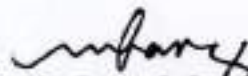
Balance of Proceeds from IPO and Sale of TP Cebu as of June 30, 2021,	Php	8,703,370,205.21
Less: Disbursements from July 1 to Sept 30 (Annex A)		6,415,189,038.52
Additional disbursements from Jan 1 to June 31 (Annex B)		<u>1,478,481,166.69</u>
Balance of Proceeds from IPO and Sale of TP Cebu as of Sept 30, 2021	Php	<u>809,700,000.00</u>

Thank you.

Very truly yours,



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



Ma. Teresa R. Fanny
AREIT, Inc.
Chief Finance and Compliance Officer

ANNEX A- Disbursements from July 1 to September 30, 2021

Project Name	Disbursing Entity	Amount
Ayala Triangle Garden 2 (Office)	Ayala Land Inc.	696,001,355.13
One Ayala Office and Malls	ALI Commercial Center, Inc.	949,000,000.00
Ayala Malls Veramosa	Cavite Commercial Town Center, Inc.	160,000,000.00
Flats Cebu I.T. Park	Cebu Holdings Inc.	42,000,000.00
Flats Cebu Business Park	Cebu Holdings Inc.	68,000,000.00
West Gallery Place	BGWest Properties Inc.	250,000,000.00
Trinoma Common Station Connections	North Triangle Depot Commercial Corp	49,000,000.00
Mandarin Oriental	ALI Triangle Hotel Ventures Inc.	211,000,000.00
Flats Circuit	Crane Montana Property Holdings Inc.	33,000,000.00
Alogis Binan 4	AyalaLand Logistics Holdings Corp	86,000,000.00
Alogis Artico Binan	AyalaLand Logistics Holdings Corp	377,000,000.00
Alogis Naic 2	AyalaLand Logistics Holdings Corp	103,000,000.00
Alogis Porac Expansion	AyalaLand Logistics Holdings Corp	25,000,000.00
Lepanto Redevelopment	AyalaLand Logistics Holdings Corp	105,000,000.00
Industrial Park	AyalaLand Logistics Holdings Corp	740,000,000.00
East Gallery Place	BGWest Properties Inc.	150,000,000.00
AT Verge Tower 1	Avida Land Corp	240,000,000.00
Laguna Development- Avida	Avida Land Corp	135,000,000.00
Land Acquisition- Avida	Avida Land Corp	338,000,000.00
Cavite Development	Alveo Land Corp	220,000,000.00
Land Acquisition- Alveo	Alveo Land Corp	610,000,000.00
Seda One Ayala	Ayala Land, Inc./ One Makati Hotel Ventures, Inc.	40,000,000.00
Seda Manila Bay	Bay Area Hotel Ventures Inc.	148,363,008.77
Andadillo	Ayala Land Inc.	84,400,000.00
The Courtyards	Ayala Land Inc.	60,470,000.00
Arbor Lanes	Ayala Land Inc.	18,300,000.00
Garden Court Residences	Ayala Land Inc.	37,100,000.00
Cerilo	Ayala Land Inc.	21,800,000.00
Ardia	Ayala Land Inc.	11,208,000.00
Park Cascades 1&2	Ayala Land Inc.	55,120,805.31
Tryne Enterprise Plaza	Ayala Land Inc.	54,050,000.00
Avida Towers Sola T1-T3	Ayala Land Inc.	24,580,000.00
Avida Towers Vireo Tower 1-3	Ayala Land Inc.	23,800,000.00
Avida Towers Asten T3	Avida Land Corp.	20,800,000.00
Avida Atria S1 & T1-T4	Avida Land Corp.	114,500,000.00
Avida Towers Makati Southpoint T1	Avida Land Corp.	85,655,869.31
Amala Skies Shaw T2	Amala Land Corp.	28,000,000.00
TOTAL		6,415,189,038.52

ANNEX B- Additional Disbursements from Jan 1 to June 30, 2021

Project Name	Disbursing Entity	Amount
Arca South Office	Ayala Land Inc	12,000,000.00
Veranda Tower 1	Ayala Land Inc	150,000,000.00
Glorietta and Greenbelt Refresh	ALI Commercial Center Inc	616,000,000.00
Land Acquisition- ALI	Ayala Land Inc	700,481,166.69
TOTAL		1,478,481,166.69

SUBSCRIBED AND SWORN to before me this OCT 15 2021 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i>		
Augusto D. Bengzon	Passport No. P4323352B	08 Jan 2020/ DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i>		
Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration Date 05 Dec 2023

Doc No. 444;
 Page No. 88;
 Book No. XXXVIII
 Series of 201



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

ROBERTO T. ONGSIAKO
 Notary Public - Makati City
 Appt. No. M-149 until December 31, 2022
 Roll of Attorneys No. 37041
 Lifetime IBP No. 02163 - RSM Chapter
 PTR No. 8533973ME - 01/04/2021 - Makati City
 MCLE Compliance No. VII - 0000267 - 07/30/21
 4th Floor Tower One and Exchange Plaza
 Ayala Triangle, Ayala Avenue
 Makati City, Philippines

STRICTLY CONFIDENTIAL

REPORT OF FACTUAL FINDINGS

AYALA LAND, INC.

31st Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Mr. Augusto D. Bengzon**
Chief Finance Officer

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report as at **September 30, 2021** on the use of proceeds from the secondary offer received by **Ayala Land, Inc.** (the "Company") from the Initial Public Offering (IPO) of **AREIT, Inc.** ("AREIT") on **August 13, 2020** and use of proceeds from the Sale of Teleperformance Cebu ("TP Cebu") to AREIT on **September 15, 2020**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

1. Obtain the Quarterly Progress Summary Report on Use of Proceeds from the Initial Public Offering (IPO) and proceeds from Sale of Teleperformance Cebu (the "Schedule") and perform the following:
 - Check the mathematical accuracy of the Schedule;
 - Check whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds;
 - On a sample basis, trace additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records.
 - On a sample basis, inquire into and identify the nature of the additions and disbursements. Check if the disbursements were classified consistently according to its nature based on the schedule of planned use of IPO proceeds.

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We traced the disbursements to the supporting documents. We have noted that the Company issued intercompany loans to the following companies to be used in the projects specified:

Distributing Entity	Start Date	Amount	Project Name
ALI Commercial Center, Inc.	7/26/2021	P107,000,000.00	One Ayala
Cavite Commercial Town Center, Inc.	7/27/2021	129,000,000.00	Vermosa
Cavite Commercial Town Center, Inc.	8/5/2021	31,000,000.00	Vermosa
Cebu Holdings Inc.	8/5/2021	42,000,000.00	Flats Cebu I.T. Park
Cebu Holdings Inc.	8/5/2021	68,000,000.00	Flats Cebu Business Park
BGWest Properties Inc.	8/5/2021	100,000,000.00	West Gallery Place
ALI Commercial Center, Inc.	8/6/2021	842,000,000.00	One Ayala
AyalaLand Logistics Holdings Corp	8/6/2021	740,000,000.00	Industrial Park
AyalaLand Logistics Holdings Corp	8/6/2021	377,000,000.00	Alogis Artico Binan
Avida Land Corp	8/6/2021	338,000,000.00	Land Acquisition
Avida Land Corp	8/6/2021	240,000,000.00	AT Verge Tower 1
ALI Triangle Hotel Ventures Inc.	8/6/2021	211,000,000.00	Mandarin Oriental
BGWest Properties Inc.	8/6/2021	150,000,000.00	West Gallery Place
BGWest Properties Inc.	8/6/2021	150,000,000.00	East Gallery Place
Avida Land Corp	8/6/2021	135,000,000.00	Laguna Development
AyalaLand Logistics Holdings Corp	8/6/2021	105,000,000.00	Lepanto Redevelopment
AyalaLand Logistics Holdings Corp	8/6/2021	103,000,000.00	Alogis Naic 2
AyalaLand Logistics Holdings Corp	8/6/2021	86,000,000.00	Alogis Binan 4
North Triangle Depot Commercial Corp	8/6/2021	49,000,000.00	Trinoma Common Station Connections
Crans Montana Property Holdings Inc	8/6/2021	33,000,000.00	Flats Circuit
AyalaLand Logistics Holdings Corp	8/6/2021	25,000,000.00	Alogis Porac Expansion
Alveo Land Corp	8/9/2021	610,000,000.00	Land Acquisition
Alveo Land Corp	8/9/2021	120,000,000.00	Cavite Development
Alveo Land Corp	8/10/2021	100,000,000.00	Cavite Development
One Makati Hotel Ventures, Inc.	8/10/2021	40,000,000.00	Seda One Ayala
Avida Land Corp.	9/24/2021	114,500,000.00	Avida Atria
Avida Land Corp.	9/24/2021	85,655,869.31	Avida Towers
Amaia Land Corp.	9/24/2021	28,000,000.00	Amaia Skies
Avida Land Corp.	9/24/2021	20,800,000.00	Avida Towers
		P5,179,955,869.31	

We have traced these amounts to the promissory notes and the bank statements and agreed the amounts to the accounting records. No exceptions noted.

We also traced the amounts disbursed by the Company during the period for the following projects amounting to P1.24 billion to the progress billings, invoices and official receipts and agreed the amount to the accounting records. No exceptions noted.

Project Name	Amount
Ayala Triangle Garden 2 (Office)	P696,001,355.13
Seda Manila Bay	148,363,008.77
Andacillo	84,400,000.00
(Forward)	

Project Name	Amount
The Courtyards	P60,470,000.00
Park Cascades 1&2	55,120,805.31
Tryne Enterprise Plaza	54,090,000.00
Garden Court Residences	37,100,000.00
Avida Towers Sola T1-T3	24,580,000.00
Avida Towers Vireo Tower 1-3	23,800,000.00
Cerilo	21,800,000.00
Arbor Lanes	18,300,000.00
Ardia	11,208,000.00
	P1,235,233,169.21

We also traced the amounts of additional disbursements by the Company from January 1 to June 30, 2021 for the following projects amounting to P1.48 billion to the progress billings, invoices and bank statements and agreed the amount to the accounting records. No exceptions noted.

Project Name	Amount
Arca South Office	P12,000,000.00
Veranda Tower 1	150,000,000.00
Glorietta and Greenbelt Refresh	616,000,000.00
Land Acquisition	700,481,166.69
	P1,478,481,166.69

- There were no additions during the 3rd quarter (July to September). Further, we inquired into and identified the nature of the disbursements. We checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of TP Cebu proceeds as documented in the Amended Reinvestment Plan dated August 31, 2021. We have noted that the abovementioned projects were included in the Amended Reinvestment Plan, and the amounts disbursed to these companies have not exceeded the planned use. No exceptions noted.

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

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

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

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 0664-AR-4 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 1561-AR-1 (Group A)

January 31, 2019 valid until January 30, 2022

BIR Accreditation No. 08-001998-073-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534357, January 4, 2021, Makati City

ACKNOWLEDGMENT

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

I certify that on **OCT 15 2021** before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

Name	Competent Evidence of Identity	Date / Place Issued
Michael C. Sabado	P1178919B	March 25, 2019/DFA

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.

SUBSCRIBED AND SWORN TO BEFORE ME THIS
DAY OF **OCT 15 2021** MAKATI CITY

Doc. No. 127 ;
Page No. 27 ;
Book No. 27 ;
Series of 2021 3

ATTY. MICHAEL C. MALABANAN
Notary Public for Makati City
Appointment No. M-363
Until December 30, 2021 (BM-3795)
298 Emilia Bautista, Palanan Makati City
PTR No. 851236 / Jan. 04, 2021
IBP No. 133855, IBP Batangas, Dec. 02, 2020
MCLE VI 0022+556, April 24, 2019
PPLM Roll No. 58312
Tin No. 278608760000

October 15, 2021

THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza
6th Floor, PSE Tower
Bonifacio Global City, Taguig

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

Subject: 2021 Third Quarter Progress Report on the Disbursement of Proceeds from the sale
of The 30th Commercial Development to AREIT, Inc.

Dear Ms. Encarnacion,

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

Please be advised that as of September 30, 2021 the remaining balance of the proceeds from the sale of The 30th Commercial Development to AREIT, Inc., amounts to Four Billion One Hundred Fifty-Five Million Nine Hundred Seventy Eight Thousand One Hundred Fifty Nine Pesos and Nineteen Centavos (Php4,155,978,159.19).

The details of the disbursement for the Third Quarter of 2021 are as follows:

Balance of Proceeds from the sale of The 30th as of June 30, 2021,	Php	4,385,787,970.39
Less: Disbursements from July 1 to Sept 30, 2021 (Annex A)		<u>229,809,811.20</u>
Balance of Proceeds from the sale of The 30th as of Sept 30, 2021,	Php	<u>4,155,978,159.19</u>

Thank you.

Very truly yours,



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



Ma. Teresa R. Faboy
AREIT, Inc.
Chief Finance and Compliance Officer

ANNEX A- Disbursements from July 1 to September 30, 2021

Disbursing Entity	Project Name	Amount
ALI Eton Property Development Corporation	Parklinks	103,825,928.97
Unity Realty & Dev't Corp.	Pampanga Property	22,369,603.33
Cebu District Property Enterprise, Inc.	Gatewalk Central	103,614,278.90
TOTAL		229,809,811.20

SUBSCRIBED AND SWORN to before me this OCT 15 2021 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i>		
Augusto D. Bengzon	Passport No. P43233528	08 Jan 2020/ DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i>		
Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration Date 05 Dec 2023

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



ROBERTO T. ONGSIAKO
Notary Public - Makati City
Appt. No. M-149 until December 31, 2022
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 - RSM Chapter
PTR No. 8533973ME - 01/04/2021 - Makati City
MCLE Compliance No. VII - 0000267 - 07/30/20
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

STRICTLY CONFIDENTIAL

REPORT OF FACTUAL FINDINGS

AYALA LAND, INC.

31st Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Mr. Augusto D. Bengzon**
Chief Finance Officer

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report as at **September 30, 2021** on the use of the proceeds from the sale of The 30th Commercial Development to AREIT, Inc. on **January 15, 2021**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

1. Obtain the Quarterly Progress Summary Report on Use of Proceeds from the sale of The 30th Commercial Development to AREIT, Inc. (the "Schedule") and perform the following:
 - Check the mathematical accuracy of the Schedule;
 - Check whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds;
 - On a sample basis, trace additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records.
 - On a sample basis, inquire into and identify the nature of the additions and disbursements. Check if the disbursements were classified consistently according to its nature based on the schedule of planned use of sale of The 30th proceeds.

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.

2. We traced the disbursements to the supporting documents. We have noted that the Company issued intercompany loans to the following companies to be used in the projects specified:

Distributing Entity	Amount	Project Name
ALI Eton Property Development Corporation	P103,825,928.97	Parklinks
Cebu District Property Enterprise, Inc.	103,614,278.90	Gatewalk Central
Unity Realty & Dev't Corp.	22,369,603.33	Pampanga Property
	P229,809,811.20	

We have traced these amounts to the bank statements, request for payments and request for check preparations and agreed the amounts to the accounting records. No exceptions noted.

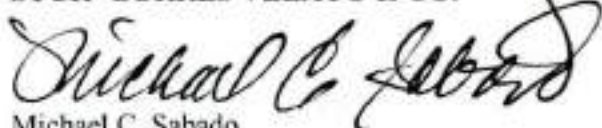
3. There were no additions during the 3rd quarter (July to September). Further, we inquired into and identified the nature of the disbursement. We checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of The 30th proceeds as documented in the Reinvestment Plan. We have noted that the abovementioned entities and the related projects were included in the Reinvestment Plan, and the amounts disbursed to these companies have not exceeded the planned use. No exceptions noted.

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

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

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

SYCIP GORRES VELAYO & CO.



Michael C. Sabado
Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 0664-AR-4 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 1561-AR-1 (Group A)

January 31, 2019 valid until January 30, 2022

BIR Accreditation No. 08-001998-073-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534357, January 4, 2021, Makati City

ACKNOWLEDGMENT

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

I certify that on 15 July 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
Michael C. Sabado	P1178919B	March 25, 2019/DFA

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.

SUBSCRIBED AND SWORN TO BEFORE ME THIS
DAY OF OCT 15 2021 MAKATI CITY

Doc. No. 126;
Page No. 37;
Book No. 44;
Series of 2021 2

ATTY. MEL MALABANA
Notary Public for Makati City
Appointment No. M-363
Until December 30, 2021 (BM-3795)
298 Emilio Bartista, Palanan Makati City
PTR No. 851236/Jan. 04, 2021
IBP No. 133855, IBP Batangas, Dec. 02, 2020
MCLE VI 0022-556, April 24, 2019
PPLM Roll No. 58312
Tin No. 278608760000

October 15, 2021

THE PHILIPPINE STOCK EXCHANGE

Philippine Stock Exchange Plaza
6th Floor, PSE Tower
Bonifacio Global City, Taguig

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

Subject: 2021 Third Quarter Progress Report on the Disbursement of Proceeds from the sale
of 44 million AREIT Shares

Dear Ms. Encarnacion,

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

Please be advised that as of September 30, 2021, the remaining balance of the proceeds from the sale of 44 million AREIT Shares, amounts to One Billion Three Hundred Ninety-Eight Million One Hundred Eighty-Six Thousand Two Hundred Forty Pesos (Php1,398,186,240.00).

No disbursement was made during the Third Quarter of 2021.

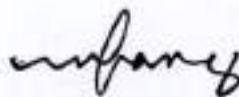
Gross Proceeds from sale of 44 million AREIT Shares as of May 5, 2021, Php	1,408,000,000.00
Less: Transaction costs	<u>9,813,760.00</u>
Net Proceeds from sale of 44 million AREIT shares	1,398,186,240.00
Less: Disbursement May 5 to Sept 30, 2021	<u>0.00</u>
Balance of Proceeds from sale of AREIT Share as of September 30, 2021 Php	<u>1,398,186,240.00</u>

Thank you.

Very truly yours,



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



Ma. Teresa R. Famy
AREIT, Inc.
Chief Finance and Compliance Officer

OCT 15 2021

SUBSCRIBED AND SWORN to before me this _____ at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i>		
Augusto D. Bengzon	Passport No. P4323352B	08 Jan 2020/ DFA NCR East
AREIT, Inc.	TIN: 006-346-689-000	
<i>Represented by:</i>		
Ma. Teresa R. Famy	Driver's License No. D06-97-186463	Expiration Date 05 Dec 2023

Doc No. 435
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Book No. XXXV
Series of 204

Notarial DST pursuant to
Section 188 of the Tax Code
affixed in Notary Public's copy



ROBERTO T. ONGSIAKO
Notary Public - Makati City
Appt. No. M-149 until December 31, 2022
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 - RSM Chapter
PTR No. 8533973ME - 01/04/2021 - Makati City
MCLE Compliance No. VII - 0000267 - 07/30/20
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

STRICTLY CONFIDENTIAL

REPORT OF FACTUAL FINDINGS

AYALA LAND, INC.

31st Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: **Mr. Augusto D. Bengzon**
Chief Finance Officer

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report as at **September 30, 2021** on the use of the proceeds received by **Ayala Land, Inc.** (the "Company") from the block sale of its shares in **AREIT, Inc.** ("AREIT") on **May 5, 2021**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

1. Obtain the Quarterly Progress Summary Report on Use of Proceeds from the Block Sale of AREIT Shares (the "Schedule") and perform the following:
 - Check the mathematical accuracy of the Schedule;
 - Check whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds;
 - On a sample basis, trace additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records;
 - On a sample basis, inquire into and identify the nature of the additions and disbursements. Check if the disbursements were classified consistently according to its nature based on the schedule of planned use of proceeds from the block sale of AREIT shares.

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.

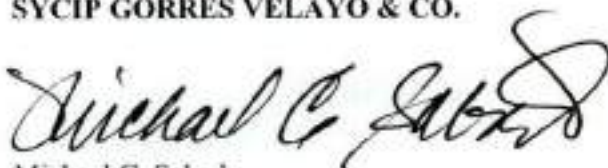
2. We checked whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds. There were no transactions during the 3rd quarter (July to September).

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

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

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

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 0664-AR-4 (Group A)

November 11, 2019, valid until November 10, 2022

SEC Firm Accreditation No. 1561-AR-1 (Group A)

January 31, 2019 valid until January 30, 2022

BIR Accreditation No. 08-001998-073-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534357, January 4, 2021, Makati City

ACKNOWLEDGMENT

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

I certify that on OCT 15 2021 before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Date / Place Issued</u>
Michael C. Sabado	P1178919B	March 25, 2019/DFA

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

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

Doc. No. _____
Page No. _____
Book No. _____
Series of 2021 _____


ATTY. MELVIN C. MALABANAN
 Notary Public for Makati City
 Appointment No. 96-363
 Until December 31, 2024 (PM-3795)
 298 Emilio B. Ortigas, 2nd Floor, Makati City
 PTR No. 2-0119, July 23, 2021
 IBP No. 1338, 1st IBP Exam, Dec. 02, 2020
 MCLE VI 0022, 1st Exam, April 24, 2019
 PFLM Roll No. 58312
 Tin No. 276668766000