

PSE Number:
SEC Number: CS200613870
File Number: _____

AREIT, INC.

(Company's Full Name)

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

(Company Address)

(632) 7908-3804

(Telephone Number)

December 31, 2021

(Year Ending)

Annual Report- SEC Form 17-A

(Form Type)

-

(Amendments – if applicable)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 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 December 31, 2021

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
Common shares	1,508,910,810

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 ☐
13. Aggregate market value of the voting stock held by non-affiliates: **₱24,669,700,200.00**

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

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

Yes ☐ No ☐ **Not applicable**

DOCUMENTS INCORPORATED BY REFERENCE

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

2021 Audited Financial Statements (incorporated as reference for Items 6, 7 & 12 of SEC Form 17-A)

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PART I- BUSINESS

Item 1. Business- *Description of Business*

Background

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

As of December 31, 2021, AREIT is 53.13%-owned by Ayala Land Inc. (ALI), 6.38%-owned by AyalaLand Offices, Inc. (ALOI) 2.48%-owned by Westview Commercial Ventures Corp. (WCVC), both wholly-owned subsidiary of ALI, 4.12%-owned by Glensworth Development, Inc. (GDI), a wholly owned subsidiary of ALOI, and the rest by the public. AREIT is listed with a total of 1,508,910,810 outstanding common shares. AREIT has a total market capitalization of ₱73.33 billion based on the closing price of ₱48.60 per common share on December 31, 2021, the last trading day of the year.

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

Products/ Business Lines

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

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

Distribution Methods of Services

AREIT caters to retail and office tenants. As of December 31, 2021, commercial office space comprised approximately 63% of the total gross leasable area of the properties. The major tenants of the properties, include major, international corporations engaged in shared services, serviced apartments, business process outsourcing, banking and finance, insurance, and healthcare and pharmaceuticals.

Competition

The real estate industry in the Philippines, particularly in Metro Manila, is a competitive market. The principal competitive factors include rental rates, quality and location of properties, and supply of comparable retail space.

The Properties are Grade A office buildings located in Makati City, Pasig City, Laguna and Cebu, and the Company competes with other commercial property operators, such as Megaworld, Filinvest, Robinsons Land, and SM Investments. The commercial property market in Metro Manila is highly competitive. While it primarily faces competition posted by major, existing property operators, it also faces threats of new players entering the real estate industry in Metro Manila.

Since the Company's listing in August 2020, four (4) other REITs registered and listed. As of December 31, 2021, the direct competitors of the Company are DDMP REIT, Inc. ("DDMPR"), Filinvest REIT Corp. ("FILRT"), RL Commercial REIT, Inc. ("RCR") and MREIT, Inc. ("MREIT"). DDMPR registered and listed as a REIT last March 24, 2021, FILRT listed on August 12, 2021, RCR listed on September 14, 2021, and lastly, MREIT listed on October 1, 2021.

The Company's principal competitive advantage is flexibility in the negotiation of commercial terms with customers. It is open to tenant negotiations on the length of the rent-free period or fit out period as well as rent escalation rates. The Company has also started to evolve its facilities to accommodate potential tenants, such as start-ups and SMEs, who desire shared working spaces. The Company believes that the rental rates it offers at the Properties are at par with comparable competitors.

Despite the high level of competition, the Company believes that the significant accumulated experience of the management teams of both the Fund Manager and the Property Manager in real estate development, leasing, and management, as well as the Ayala Land Group's understanding of local market preferences and conditions will enable the Company to compete effectively.

AREIT has the distinction of being the first REIT company registered and listed in the Philippines, and launched amidst the COVID-19 pandemic. As the pioneer REIT company in the Philippines, AREIT offers stable and sustainable earnings with a portfolio diversified across office, retail, hotel, and industrial land segments located across Metro Manila and the key provinces of Laguna, Cebu and Bacolod.

Suppliers

The Company has a broad base of suppliers, and is not dependent on one or a limited number of suppliers. Presently, the major suppliers of the Properties are primarily third-party companies in charge of particular building functions. These include manpower services, such as janitorial/housekeeping, technical maintenance, and security. The Company's contracts with these third-parties typically provide from 30-day to quarterly payment terms. These contracts are normally secured with a performance bond to be cancelled or released only upon performance of all contractual and statutory duties and obligations. Contractors are likewise required to obtain and maintain at their own expense and throughout the term of the contracts a Comprehensive General Liability Insurance issued by a reputable insurance company acceptable to the Company.

Customers

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

Transactions with related parties

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

Government approvals/regulations

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

Risks

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

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

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

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

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

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

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

Working Capital

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

Item 2. Properties

- **Solaris One**, a 24-storey, Grade A, PEZA-accredited commercial building previously known as E-Services 3 Dela Rosa Building, which was completed in 2008, contains 46,767.95 sqm. of and is located at 130 Dela Rosa Street, Legaspi Village, Makati City, the Philippines.
- **Ayala North Exchange**, a Grade A, mixed-use development, previously known as project City Gate, which consists of two towers situated on top of a 3-storey retail podium as well as a collection of serviced apartments branded as Seda Residences Makati. The first tower is a 30-storey building consisting of 12-storey HQ Office, with the remaining 18-storeys housing Seda Residences Makati composed of 293 serviced apartments, other amenities and the back-of-house area. The second tower is a 20-storey, PEZA-accredited BPO Office designed for 24/7 operations. There are six levels of basement parking. Both office towers are PEZA-accredited. The HQ Office space was completed in late-2018, while the BPO Office and serviced apartments were completed in the first and third quarters of 2019, respectively. The GLA of Ayala North Exchange is 95,300.35 sqm.. It is located at 6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City, the Philippines.
- **McKinley Exchange**, a 5-storey Grade A, PEZA-accredited mixed-use development, which began operations in 2015, with GLA of 10,687.50 sq. m., 9,633.32 sqm. of which is designated for commercial office leasing, , located along McKinley Road corner EDSA in Makati, Metro Manila's preeminent financial business district. The building also incorporates two (2) basement levels for car parking, offering a total of 120 parking slots. On January 31, 2020, AREIT entered into a Contract of Lease with the Sponsor for the lease of the office and retail building.
- **Teleperformance Cebu**, a Grade A, mixed-use development owned by APRC, a wholly-owned Subsidiary of Ayala Land, which consists of two PEZA-accredited BPO offices, completed in 2011 with a combined GLA of 18,092.66 sqm located at Inez Villa Street, Cebu I.T. Park, Brgy. Apas, Cebu City.
- **The 30th Commercial Development**, located along Meralco Avenue in Pasig City, is a commercial building with a total GLA of 74,704 sqm composed of a 19-storey office tower with a GLA of 47,871 sqm and a 4-storey retail podium with a GLA of 26,833 sqm.
- **Laguna Technopark Industrial Lots**, totaling 98,179 sqm, AREIT owns four parcels of industrial land located in Binan, Laguna, currently occupied by Integrated Micro-Electronics Inc. (IMI), under a long-term lease for its global manufacturing and technology solutions.
- **Vertis North Commercial Development**, a mixed-use development located in North Avenue, North Triangle, Quezon City, which consists of three (3) office towers situated on top a four (4)-storey retail podium known as Vertis North Commercial Development. The three (3) office towers consist of 19, 20, and 20-storeys, respectively. All office towers are Philippine Economic Zone Authority ("PEZA")-accredited business process outsourcing offices designed for 24/7 operations, and are Leadership in Energy and Environmental Design ("LEED")-certified. There are four (4) levels of basement parking. The retail podium was completed in 2017, while the office towers 1, 2, and 3 were completed in 2018, 2018, and 2019, respectively. The GLA of the retail podium is 39,305.76 square meters (sq. m.), while the office towers are composed of 125,507.39 sq. m. of GLA. The land on which Vertis North Corporate Center stands is being leased from Ayala Land, Inc.
- **One Evotech**, a four (4)-storey PEZA-accredited, LEED Silver Certified, campus type, BPO office designed for 24/7 operations, with a gross leasable area of 12,049 sq. m., located at the Lakeside Evozone, Nuvali, Sta. Rosa, Laguna. The land on which One Evotech stands is owned

by the Ceci Realty, Inc., an affiliate of ALI, and is leased by AREIT with a remaining term of 37 years.

- **Two Evotech**, a 5-storey PEZA-accredited, BPO office designed for 24/7 operations, with with a gross leasable area of 11,675 sq.m., located at the Lakeside Evozone, Nuvali, Sta. Rosa, Laguna. The land on which One Evotech stands is owned by the Ceci Realty, Inc., an affiliate of ALI, and is leased by AREIT for a remaining term of 37 years.
- **Bacolod Capitol Corporate Center**, a seven (7)-storey PEZA-accredited BPO building designed for 24/7 operations, with a gross leasable area of 11,313 sq. m. The land on which Bacolod Capitol Corporate Center stands is owned by the Province of Negros Occidental, and is leased by AREIT from the Province of Negros Occidental with a remaining term of 40 years.
- **Ayala Northpoint Technohub**, a two (2)-storey PEZA-accredited BPO office facility designed for 24/7 operations with a gross leasable area of 4,653 sq.m., The site is located at The District North Point, Barangay Zone 15, Talisay City, Negros Occidental. and is under a land lease agreement with ALI with a remaining term of 37 years.
- **BPI-Philam Life Makati**, composed of three (3) office condominium units with a gross leasable area of 1,072 sq.m. located at the 19th floor, Ayala Life FGU Center, 6811 Ayala Avenue, Makati City. The land on which the building stands is owned by the Ayala Life FGU Center Condominium Corporation.
- **BPI-Philam Life Alabang**, consists of six (6) office condominium units with total leasable area of 551 sq. m. located at the 7th floor of BPI-Philam Life Alabang, Alabang-Zapote Road corner Acacia Avenue, Madrigal Business Park, Muntinlupa City. The land on which the building stands is owned by the Ayala Life-FGU Center Alabang Condominium Corporation.

Item 3. Legal Proceedings

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

As of December 31, 2021, the Company is not involved in any litigation regarding an event which occurred during the past five (5) years that they consider material.

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

Other than the matters taken up during the Annual Meeting of the Stockholders, the approval of the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc. was submitted to a vote of security holders during the Special Stockholders' Meeting of the Company last 21 April 2021.

PART II- SECURITIES OF THE REGISTRANT

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

Market Information

AREIT common shares are listed with the Philippine Stock Exchange.

Philippine Stock Exchange
Prices (in PhP/share)

	<u>High</u> <u>2021</u>	<u>Low</u> <u>2021</u>	<u>Close</u> <u>2021</u>
First Quarter	35.00	28.90	34.00
Second Quarter	37.00	32.40	36.40
Third Quarter	39.70	35.75	39.70
Fourth Quarter	50.00	38.90	48.60

The market capitalization of AREIT, Inc as of end-2021, based on the closing price of ₱48.60/share, was approximately ₱73.3 billion.

The price information as of the close of the latest practicable trading date March 25, 2022 is P46.80 per share.

Stockholders

The Company has 18 registered stockholders as of February 28, 2022.

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1.	Ayala Land, Inc.	801,641,623	53.1271%
2.	PCD Nominee Corporation (Filipino)	453,965,623	30.0856%
3.	Ayalaland Offices, Inc.	96,292,435	6.3815%
4.	Glensworth Development, Inc.	62,146,531	4.1186%
5.	PCD Nominee Corporation (Non-Filipino)	57,376,177	3.8024%
6.	Westview Commercial Ventures Corp.	37,443,313	2.4814%
8.	Maria Victoria Romero San Pascual	24,000	0.0015%
9.	Sylvette Young Tankiang	13,100	0.0008%
10	Alberto B. Guevara Jr. or Alberto F. Guevara	8,000	0.0005%
11	Carol T. Mills	1	0.0000%
12.	Jose Emmanuel H. Jalandoni	1	0.0000%
13.	Jessie D. Cabaluna	1	0.0000%
14	Enrico S. Cruz	1	0.0000%
15	Mariana Zobel de Ayala	1	0.0000%

16	Bernard Vincent O. Dy	1	0.0000%
17	Omar T. Cruz	1	0.0000%
18	Augusto D.Bengzon	1	0.0000%

A list of the company's top 100 stockholders as of December 31, 2021 can be found through this link:

https://edge.pse.com.ph/openDiscViewer.do?edge_no=98032e902c4d38fc3470cea4b051ca8f

Dividends

2021 CASH DIVIDEND (Per Common Share)		
PESO AMOUNT (in millions)	RECORD DATE	PAYMENT DATE
400.01	March 15, 2021	March 25, 2021
430.78	June 11, 2021	June 25, 2021
451.29	August 26, 2021	September 10, 2021
451.29	October 06, 2021	October 22, 2021
709.19	March 11, 2022	March 25, 2022

Dividend policy

The Company has adopted a dividend policy in accordance with the provisions of the REIT Law, pursuant to which the Company's shareholders are entitled to receive at least 90% of annual Distributable Income for the current year. For 2021, the Company declared total dividends amounting to P2,042.54 million representing 92% of the Distributable Income for the year 2021.

	2021
Net income	P2,433,267,040
Unrealized gains:	
Unrealized gain on fair value change in investment properties	(164,502,279)
Gain on finance lease	(49,763,675)
Distributable Income	P2,219,001,086

For 2021, dividends declared were as follows:

Payment Date	Aggregate Amount Paid
June 25, 2021	430,775,702.70
September 10, 2021	451,288,831.40
October 22, 2021	451,288,831.40
March 25, 2022	709,188,080.70
Total Amount of Dividends Paid*	2,042,541,446.20

% of Dividends to Distributable Income **92%**

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

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

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

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

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

	Dividends	Prior Year Net Income	% of Dividends
2017	362,500,000	425,775,536	85%
2018	384,000,000	446,780,761	86%
2019	961,297,669	537,091,374	179%
2020	1,353,866,494.20	1,223,891,240*	111%
	<i>*2020 Distributable income</i>		

Recent Sale of Securities

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

Corporate Governance

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

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

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

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

PART III- FINANCIAL INFORMATION

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

In 2021, the Company voluntarily changed its accounting policy for its investment properties from cost model to fair value model of accounting which was applied retrospectively. Amounts presented in the audited statement of financial position as of December 31, 2021 and 2020 and audited statement of comprehensive income for the years ended December 31, 2021, 2020 and 2019 were restated to reflect the impact of the change in accounting policy.

Review of FY 2021 operations vs FY 2020

The Company's net income before change in fair value and reversal of deferred tax increased by 56% from ₱1,452.71 million in 2020 and ₱2,268.76 million in 2021. The increase was mainly due to income from additional properties acquired in 2021. The Company's net income after tax decreased by 61% from ₱6,264.81 million in 2020 to ₱2,433.27 million in 2021. The decrease was primarily driven by the net fair value change in investment property and impact of 0% effective income tax rate in computing deferred taxes.

Revenues

Total revenues increased by 63% from ₱2,035.92 million in 2020 to ₱3,316.46 million in 2021. This was mainly driven by higher rental income and net dues.

Rental Income increased by 68% from ₱1,495.72 million in 2020 to ₱2,506.91 million in 2021. The increase was primarily attributable to the addition of The 30th and Laguna Technopark lots in January 2021 and addition of Vertis Office Towers and Mall, One and Two Evotech, Bacolod Capitol, Bacolod Ayala Northpoint, Makati FGU and Alabang FGU, which were added to the Company's portfolio in October 2021.

Dues increased by 59% from ₱389.38 million in 2020 to ₱621.01 million in 2021. The increase was attributable to the operations of new assets acquired in 2021.

Interest income from finance lease, increased by 25% from ₱150.81 million in 2020 and ₱188.55 million in 2021. This is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019 and long-term leases of North Eastern Commercial Corp with the Company, for The30th Mall which commenced in January 1, 2021 and October 1, 2021 for Vertis Mall.

Net Fair Value Change in Investment Property

In 2021, the Company voluntarily changed its accounting policy on investment properties from cost model to fair value model which requires restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity.

In 2021, the Company recognized a net fair value change in investment property of ₱164.50 million and ₱1,424.65 million in 2020.

Cost and Expenses

Direct operating expenses increased by 84% from ₱444.07 million in 2020 to ₱815.87 million in 2021. The increase was primarily attributable to an increase in management fee of ₱169.44 million, an increase in taxes and licenses of ₱65.11 million, increase in land lease of ₱58.41 million, increase in repairs and

maintenance of ₱45.21 million and increase in outside services of ₱23.25 million. These increases were related to the operations of additional properties acquired in 2021.

General and administrative expenses increased by 109%, from ₱49.47 million to ₱103.40 million mainly due to provision for probable losses amounting to ₱33.00 million in 2021 and increase in provision for doubtful accounts of ₱15.27 million.

Other Income (charges)

Gain under finance lease amounted to ₱49.76 million in 2021. The Company entered into long-term building lease agreements with North Eastern Commercial Corp. for the lease of retail podiums in The 30th and Vertis developments in January and June 2021, respectively. North Eastern Commercial Corp. (NECC) is wholly owned by Ayala Land, Inc. The Company classified the agreement as a finance lease. The Company remains to be the legal owner of the portion of the building under finance lease.

Interest Income decreased by 91% from ₱78.67 million in 2020 to ₱7.21 million in 2021. The decrease was mainly due to the decrease in interest income from intercompany loans from ₱78.31 million in 2020 to ₱6.97 million in 2021.

Interest expense increased by 160% from ₱65.42 million in 2020 to ₱169.82 million in 2021. The increase was primarily attributable to the recognition of interest expense on loans amounting to ₱81.94 million in 2021, interest expense from finance lease amounting to ₱63.01 million and ₱51.49 million in 2021 and 2020, and accretion of security deposit amounting to ₱24.87 million in 2021 and ₱13.93 million in 2020.

Other charges amounted to ₱15.64 million in 2021 pertains to amortization of bond issue cost amounting to ₱0.18 million and PSE filing fee related to listing of property-for-shares transaction amounting to ₱15.46 million in 2021.

Other income decreased by 97% from ₱3.66 million in 2020 to ₱0.10 million in 2021. This pertains to income earned from interest and penalties arising from late payments.

Provision for Income Tax

Provision for income tax, the Company recognized a tax benefit in 2020 amounting to ₱3,280.88 and tax payable of ₱0.05 million in 2021. The 2020 tax benefit is a result of the restatement of 2020 balances following the change to fair value accounting. The Company started to avail of its tax incentive as REIT after its listing in August 2020. As of December 31, 2021 and 2020, deferred tax assets and liabilities are recognized based on effective income tax rate of 0% under REIT law.

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 VAT exclusive. The Company also acquired the 30th from Ayala Land, Inc. on January 15, 2021 for a total amount of ₱4,564.34 million VAT exclusive.

The Company has no material commitments for capital expenditures.

Summary of Real Estate Transactions for 2021

On January 5, 2021, AREIT entered into a Deed of Absolute Sale with Technopark Land, Inc. to acquire 98,179 sq.m. of land for ₱1.1 billion (VAT-inclusive) located in Laguna Technopark is being leased by Integrated Micro-Electronics, Inc. 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 January 15, 2021, AREIT entered into a Deed of Sale with Ayala Land Inc. for the acquisition of The 30th for ₱5.1 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. The Property is located along Meralco Avenue in Pasig City, which has a building with a total GLA of 74,704 sq.m. composed of an office tower and a retail podium.

On October 7, 2021, the Company, received the approval of the Securities and Exchange Commission (SEC) of the property-for-share swap, specifically the subscription of 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.

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.

Review of 2020 operations vs 2019

The Company's net income before change in fair value and reversal of deferred tax increased by 0.1% from ₱1,451.99 million in 2019 and ₱1,452.71 million in 2020. Slight increase mainly due to gain from finance lease recognized in 2019 amounting to ₱397.14 million. The Company's net income after tax increased by 69% from ₱3,704.34 million in 2019 to ₱6,264.81 million in 2020. The increase was primarily driven by the net fair value change in investment property and impact of 0% effective income tax rate in computing deferred taxes.

Revenues

Total revenues increased by 22% from ₱1,671.96 million in 2019 to ₱2,035.92 million in 2020. This was mainly driven by higher rental income and interest income from finance lease receivables.

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

Dues increased by 29% from ₱301.20 million in 2019 to ₱389.38 million in 2020. The increase was due to lower utilities consumption and lower manpower deployment during quarantine period.

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

Net Fair Value Change in Investment Property

The Company recognized a net fair value change in investment property of ₱2,746.77 million and ₱1,424.65 million in 2019 and 2020, respectively.

Cost and Expenses

Direct operating expenses increased by 25% from ₱354.32 million in 2019 to ₱444.07 million in 2020. The increase was primarily attributable to an increase in management fee of ₱62.31 million, an increase in taxes and licenses of ₱38.18 million, and an increase in land lease of ₱13.03 million. These increases were related to the operations of McKinley Exchange Corporate Center and Teleperformance Cebu.

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

Other Income (charges)

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

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

Other income increased by 2568% from ₱0.14 million in 2019 to ₱3.66 million in 2020. This pertains to income earned from interest and penalties arising from late payments.

Provision for Income Tax

Provision for income tax decreased by 516% from ₱788.87 million in 2019 to ₱3,280.88 million tax benefit in 2020. This decrease was mainly due to derecognition of deferred taxes.

Capital Expenditure

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

Review of 2019 operations vs 2018

The Company's net income before change in fair value and reversal of deferred tax increased by 170% from ₱537.09 million in 2018 to ₱1,451.99 million in 2019. Growth was primarily driven by rental income from Ayala North Exchange which AREIT acquired in October 2018 and from the one-time gain from finance lease recognized in 2019 amounting to ₱397.14 million. The Company's net income after tax increased by 590% from ₱537.09 million in 2018 to ₱3,704.34 million in 2019. The increase was primarily driven by the net fair value change in investment property and impact of 0% effective income tax rate in computing deferred taxes.

Revenues

Total revenues increased by 93% from ₱865.33 million in 2018 to ₱1,671.96 million in 2019. This was mainly driven by higher rental income and net dues.

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

Dues increased by 29% from ₱169.31 million in 2018 to ₱301.20 million in 2019. The increase was mainly due to the adoption of PIC Q&A No. 2018-12 effected in the restatement of 2019.

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

Net Fair Value Change in Investment Property

The Company recognized a net fair value change in investment property of ₱2,746.77 million in 2019, while 2018 was not restated.

Cost and Expenses

Direct operating expenses increased by 96% from ₱181.01 million in 2018 to ₱354.32 million in 2019. The increase was mainly due to the adoption of PIC Q&A No. 2018-12 effected in the restatement of 2019

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

Other Income (charges)

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

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

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

Other income decreased by 62% from ₱0.36 million in 2018 to ₱0.14 million in 2019. This pertains to income earned from interest and penalties arising from late payments.

Provision for Income Tax

Provision for income tax increased by 449% from ₱143.77 million in 2018 to ₱788.87 million in 2019. The increase was mainly due to deferred tax on the net fair value change in investment property.

Financial Condition

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

As of December 31, 2021, the Company total borrowings registered at ₱3.85 billion which translated to a debt-to-equity ratio of 0.08:1.

Return on equity was at 5% as of December 31, 2021.

Key Financial Ratios	2021	2020
Current Ratio ⁽¹⁾	0.67	3.55
Debt to Equity ⁽²⁾	0.08	-
Profitability Ratios		
Return on Asset ⁽³⁾	6%	21%
Return on Equity ⁽⁴⁾	5%	19%
Asset to Equity Ratio ⁽⁵⁾	1.16	1.07

(1) Current assets/current liabilities

(2) Total debt/Average Stockholder's equity

(3) Total Net Income/Total Average Assets

(4) Total Net Income/Average Stockholder's equity

(5) Total asset/Total Stockholder's equity

- Due to the Company's sound financial condition, there is no foreseeable trend or event which may have a material impact on its short-term or long-term liquidity.
- There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business
- There is no known trend, event or uncertainty that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- There is no significant element of income arising from continuing operations.
- There have not been any seasonal aspects that had a material effect on the financial condition or results of the Company's operations.
- There were no known events and uncertainties that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

Year ended December 31, 2021 compared to year ended December 31, 2020 (Restated)

Assets

Cash increased by 56% primarily due to additional net cash flow from operations of the newly acquired properties in 2021.

Receivables- current decreased by 44% mainly due to decrease in due from related parties.

Other current assets decreased by 34% due to lower input vat classified as current.

Receivable- noncurrent increased by 40% due to additional finance lease receivable from leases of NECC with the Company.

Investment properties went up by 72% mainly due to the acquisition of the 30th development, parcels of land in Laguna Technopark, Vertis Office Towers and Mall, One and Two Evotech, Bacolod Capitol, Bacolod Ayala Northpoint, Makati FGU and Alabang FGU.

Property and equipment went up by 2470% due to the acquisition of new office equipment.

Other noncurrent assets increased by 65% due to higher input VAT brought by acquisition new assets.

Liabilities

Short-term loans, the Company obtained short-term loans from various local banks during the period. The outstanding short-term loans amounting to ₱890 million as of December 31, 2021, pertains to unsecured and interest bearing 30-day loans with average interest rate of 2.11%.

Current portion of deposits and other liabilities increased by 468%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.

Current portion of lease liability increased by 25%. The total cash outflow related to leases amounted to ₱37.18 million composed of principal payment and interest on lease liabilities.

Construction bonds, amounted to ₱58.58 million as of December 31, 2021. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

Long-term debt, the Company issued a total of ₱3.00 billion fixed bonds due 2023 at a rate equivalent to 3.0445% p.a. Transaction costs capitalized amounted to ₱42.70 million in 2021. Amortization amounted to ₱0.18 million in 2021 and included under "Other charges".

Noncurrent portion of deposits and other liabilities, increased by 79%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.

Noncurrent portion of lease liability, increased by 33% due to additional lease liability for the lease agreements entered into by the Company related to land leases of One and Two Evotech and Bacolod Capitol. The rent is payable at a fixed monthly rate, subject to annual escalation rate.

Equity

Total equity of ₱48,887.59 million as of December 31, 2021, 49% higher than December 31, 2020 at ₱32,807.75 million, due to increase in paid-up capital from ₱10,929.86 million in 2020 to ₱15,762.41 million in 2021, increase in additional paid-in capital from ₱785.68 million in 2020 to ₱11,333.07 million in 2021 and increase in retained earnings from net income contribution of ₱2,433.27 million for the period, reduced by dividend payments amounting to ₱1,733.36 million.

Year ended December 31, 2020 (Restated) compared to year ended December 31, 2019 (Restated)

Assets

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

Receivables- current increased by 21% mainly due to increase in due from related parties.

Other current assets increased by 84% due to higher input VAT brought by acquisition new assets.

Receivable- noncurrent increased by 40% due to additional finance lease receivable from leases of NECC with the Company.

Investment properties went up by 15% mainly due to the acquisition of Teleperformance Cebu building and right-of-use asset for the lease of McKinley Exchange Corporate Center.

Property and equipment decreased by 40% due to the yearly depreciation.

Other noncurrent assets increased by 8% due to higher input VAT brought by acquisition new assets.

Liabilities

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

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

Current portion of lease liability, recognized in 2020 for the building lease for McKinley Exchange Corporate Center.

Construction bonds, decreased due to refund to tenants. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

Noncurrent portion of deposits and other liabilities, increased by 20%, mainly due to increase in security deposit and advance rent from the tenants of newly acquired properties.

Noncurrent portion of lease liability, recognized in 2020 for the building lease for McKinley Exchange Corporate Center.

Equity

Total equity of ₱32,807.75 million as of December 31, 2020, 14% higher than December 31, 2019 at ₱26,232.47 million, due to increase in paid-up capital from ₱10,451.22 million in 2019 to ₱10,929.86 million in 2020, recognition of additional paid-in capital amounting to ₱785.68 million in 2020 and increase in retained earnings from net income for the period and reduced by dividend payments.

Year ended December 31, 2019 (Restated) compared to year ended December 31, 2018 (Audited)

Assets

Cash increased by 368% primarily due to higher net cash outflow from operating activities.

Other current assets decreased by 23% due to amortization of prepaid expenses.

Receivable- noncurrent increased by 958% increased significantly due to the recognition of finance lease receivable for the lease of a portion of Ayala North Exchange Makati North Hotel Ventures, Inc.

Investment properties increased by 210% mainly due to change in accounting policy on investment properties from cost model to fair value model which required restatement, 2019 was based on restated balances.

Property and equipment decreased by 61% due to the yearly depreciation.

Liabilities

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

Current portion of deposits and other liabilities increased by 446% due to additional security deposit and advance rent collected from Ayala North Exchange tenants.

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

Construction bonds, increased by 306% due to bonds from new tenants in Ayala North Exchange. This pertains to cash bonds collected from tenants, to be used as a guarantee against damages to properties resulting from the construction, renovation or improvements being undertaken therein.

Deferred tax liabilities, significantly increased in 2019 due to deferred tax recognized related to net fair value change in investment property.

Equity

Total equity of ₱26,232.47 million as of December 31, 2019, 150% higher than December 31, 2018 at ₱10,500.62 million, mainly due to change in accounting policy on investment properties from cost model to fair value model which required restatement, 2019 was based on restated balances.

LIQUIDITY AND CAPITAL RESOURCES

For Year Ended December 31, 2021 versus For Year Ended December 31, 2020

The Company ended a net increase in cash of ₱33.03 million for year ended December 31, 2021, mainly from cash generated from operations contributed by additional properties.

Net cash flow from operating activities amounted to ₱2,145.01 million and ₱1,527.34 million for the year ended December 31, 2021 and 2020, respectively. The increase mainly due to higher collections from operations and related security deposits and advance rents of the newly-acquired properties.

Investing activities used ₱4,137.57 million and ₱1,827.11 million for the year ended December 31, 2021 and 2020, respectively. Increase was mainly due to acquisition of The30th development and Laguna Technopark lots.

Financing activities provided ₱2,025.59 million and ₱236.56 million for the year ended December 31, 2021 and 2020. Mainly from the proceeds from short-term and long-term loans.

Net increase in cash as of December 31, 2021 resulted to ₱33.03 million which is ₱96.23 million higher than ₱63.20 million net decrease in cash as of December 31, 2020.

Item 7. Financial Statements

The 2021 Audited Financial Statements of the Company are incorporated in the accompanying Index to Exhibits.

Item 8. Information on Independent Accountant and Other Related Matters

Independent Public Accountants

- (a) The principal accountant and external auditor of the Company is SyCip Gorres Velayo & Co. (SGV & Co.). The same accounting firm is being recommended for re-appointment at the annual stockholders' meeting.
- (b) Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to participate at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor, and Mr. Dolmar C. Montañez is the Partner-in-Charge for the audit years 2016 to 2021.

(c) **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

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

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

AREIT paid its external auditor the following fees in the past two years: (in Php million; inclusive of out-of-pocket expenses and VAT).

Year	Audit & Audit-related Fees	Tax Fees	Other Fees
2021	806,971.20	-	3,986,640.00
2020	699,562.50	-	3,453,432.50

(e) **Tax Fees**

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

(f) **Other Fees**

For 2020 and 2021, other fees paid to SGV is higher than the audit and audit-related fees due to the engagement of SGV as external auditor for the registration with the SEC and the listing with the PSE of AREIT as a real estate investment trust company and its initial public offering, as well as for AREIT's maiden bond offering last 2021 listed with the Philippine Dealing and Exchange Corp.

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

PART IV- MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9. Directors and Executive Officers of the Registrant

The write-ups below include positions held as of December 31, 2021 and in the past five years, and personal data as of December 31, 2021 of directors and executive officers.

Board of Directors

Jose Emmanuel H. Jalandoni, Chairman of the Board
Carol T. Mills, President and Chief Executive Officer
Bernard Vincent O. Dy
Augusto D. Bengzon
Mariana Beatriz Zobel de Ayala
Omar T. Cruz
Enrico S. Cruz
Jessie D. Cabaluna*

**Ms. Cabaluna was elected on December 3, 2021 to serve the unexpired term of Mr. Simeon S. Cua.*

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

Carol T. Mills, Filipino, 49, has served as the Company's President since February 10, 2014 and President and Chief Operating Officer since April 4, 2019. She is a Vice President of Ayala Land, Inc. She is also the President of Ayala Land Offices, Inc. She is Chairman and President of various Ayala Land Offices subsidiaries namely UP North Property Holdings, Inc., First Gateway Real Estate Corp., ALO Prime Realty Corp., Glensworth Development Inc., Hillsford Property Corp., and Sunnyfield E-Office Corp.; President of North Eastern Commercial Corp. and Makati Cornerstone Leasing Corp as well as Director of ALI Capital Corp., DirectPower Services, Inc. and Central Block Developers Inc. She joined ALI in 1993 and prior to her current position, she was Deputy Head of Business Development for Ayala Malls from 2008 to 2013, General Manager for Alabang Town Center from 2004 to 2008, and Operations Manager for Glorietta from 2000 to 2004. She graduated Magna Cum Laude from the University of the Philippines in 1993 with a Bachelor of Science degree in Business Administration and earned her Masters in Business Administration from the Amos Tuck School of Business, Dartmouth College in New Hampshire, USA in 1998.

Bernard Vincent O. Dy, Filipino, 58, has served as a Director of AREIT, Inc. since April 4, 2019. He is the President and Chief Executive Officer of Ayala Land, Inc. and concurrently serves as a Senior Managing Director and member of the Ayala Group Management Committee of Ayala Corporation. He is also a Director AyalaLand Logistics Holdings Corporation and MCT Bhd of Malaysia. All are publicly listed companies. Concurrently, he is the Chairman of Alveo Land Corporation, Amaia Land Corporation, Avencosouth Corp., Aviana Development Corp., Ayagold Retailers, Inc., Ayala Property Management Corporation, Bellavita Land Corporation, BGNorth Properties, Inc., BGSouth Properties, Inc., BGWest Properties, Inc., Cagayan De Oro Gateway Corp., Makati Development Corporation, Portico Land Corporation, Station Square East Commercial Corporation, and Vesta Property Holdings, Inc.; Vice Chairman of Alviera Country Club, Inc., Aurora Properties Incorporated, and Ayala Greenfield Development Corporation, and Director of AKL Properties, Inc., ALI Eton Property Development Corporation, Alveo-Federal Land Communities, Inc., Amicassa Process Solutions, Inc., AyalaLand Medical Facilities Leasing, Inc., Nuevocentro, Inc., Philippine Integrated Energy Solutions, Inc., Serendra, Inc., and Whiteknight Holdings, Inc. He is also the President and CEO of Berkshires Holdings, Inc., Bonifacio Land Corporation, Columbus Holdings, Inc., Emerging City Holdings, Inc., and Fort Bonifacio Development Corporation; President of Accendo Commercial Corporation, Alabang Commercial Corporation, Bonifacio Art Foundation, Inc., Ceci Realty Inc., and Hero Foundation Inc.; Member of the Board of Trustees of Ayala Foundation, Inc. and Ayala Group Club, Inc.; and Director of the Junior Golf Foundation of the Philippines since 2010 and Vice Chairman since 2017. He earned a degree of BBA in Accountancy from the University of Notre Dame in 1985, an MBA in 1997, and Masters in International Relations in 1989 from the University of Chicago. He became a member of the University of Chicago's Global Leaders Group in 2020.

Augusto D. Bengzon, Filipino, 59, has served as a Director and the Treasurer of AREIT, Inc. since April 4, 2019. He also currently serves as Ayala Land, Inc.'s Senior Vice President, Chief Finance Officer, Chief Compliance Officer & Treasurer. He is a Director of ACE Enexor, Inc. and Treasurer of AyalaLand Logistics Holding Corp., publicly listed companies under the Ayala Group. His other significant positions include: Chairman of Aprisa Business Process Solutions Inc., Anvaya Cove Golf and Sports Club, Inc. and Anvaya Cove Beach and Nature Club, Inc.; Director and Chief Finance Officer of Altaraza Development Corporation; Director and Treasurer of ALI Eton Property Development Corp., Amaia Land Corp., Aurora Properties Inc., Avida Land Corp., Ayala Property Management Corp., AyalaLand-Tagle Properties, Inc., Bellavita Land Corp., BGNorth Properties Inc., BGSouth Properties Inc., BGWest Properties Inc., Ceci Realty Inc., Philippine Integrated Energy Solutions Inc., Serendra Inc. and Vesta Property Holdings Inc.; Director of Ayala Greenfield Development Corp., AG Counselors Corporation, Alviera Country Club Inc., Alveo Land Corp., Ayala Land Premier Inc., Makati Development Corp., Nuevocentro Inc., Northgate Hotel Ventures, Inc., Portico Land Corp., Station Square East Commercial Corp. and Southcrest Hotel Ventures, Inc.; Treasurer of Alabang Commercial Corporation, AKL Properties, Inc. and Hero Foundation, Inc.; Trustee of Philippine National Police Foundation, Inc. and Director

of Financial Executives Institute of the Philippines. He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted the Andres K. Roxas scholarship at the Asian Institute of Management where he received his Masters in Business Management degree.

Mariana Beatriz Zobel de Ayala, Filipino, 33, has been a director of AREIT since October 2021 and currently Senior Vice President at Bank of the Philippine Islands for Consumer Bank overseeing Marketing, Consumer Platforms and Digital Activation & Sales. Ms. Zobel de Ayala also serves as a board director and/or advisory committee member for a number of Ayala Group companies, across Ayala Land, AC Health, Ayala Group's ACTIVE Fund and BPI's Asset Management and Trust Company. Before this role, Mariana was Deputy Head of Ayala Malls, a subsidiary of Ayala Land responsible for just under two million square meters in leasable retail space around the country. In addition to directly overseeing Leasing Strategy & Development across the malls, Mariana was responsible for the build-out of Ayala Malls Labs / Digital & Data - a new unit focused on commercializing synergistic opportunities leveraging technology and data. Prior to this, she worked in Project Development for Alveo Land, and as a Corporate Strategy and Business Development Associate with Ayala Corporation, where she supported portfolio review across the conglomerate and business development interest in the healthcare sector. Mariana started her career at J.P. Morgan in New York City. She graduated from Harvard College in 2011 with a BA in Social Studies (Philosophy, Politics, and Economics), and an MBA from INSEAD in 2020.

Mr. Omar T. Cruz, Filipino, 66, is the Lead Independent Director of our Company. He also serves: as a Trustee of De La Salle University and Chairman of the Investment Committee of De La Salle Philippines; as a member of the Board of Directors of the Financial Executives Institute of the Philippines; as a trustee and Board Executive Committee Member for the University of Asia and the Pacific; as a trustee and Board Executive Committee Member for the Center for Research and Communication Foundation, Inc.; as a trustee for the Philippine National Police Foundation. Previously Mr. Cruz has served as: Treasurer of the Republic of the Philippines, Chairman of the International Treasury Committee of the International Association of Financial Executives Institution; as a senior advisor to Prudential Corporation Asia (HK); and as President and CEO of BPIPhilam Life Assurance Corp and Vice President and bank executive of Citibank, N.A. He has also previously served as a director for numerous entities, including Philamlife Company, BPI Philam Life Assurance Corporation, Ayala FGU Condominium Corporation, Rufino Towers Condominium Corporation, Philamlife Asset Management, Inc., Tower Club and PHINMA Property Holdings Corporation. Mr. Cruz holds a Bachelor of Science in Industrial Management Engineering (minor in Mechanical Engineering) from De La Salle University. He also achieved his Masters in Industrial Economics from the Center for Research and Communication at the University of Asia and the Pacific.

Enrico S. Cruz, Filipino, 63, has been an independent director of AREIT since February 5, 2020. He is also an Independent Director of Security Bank Corporation, The Keepers Holdings, Inc, DITO CME Holdings Inc., Maxicare Healthcare Corporation, CIBI Information Inc. and Vice Chairman of SB Capital Investment Corporation. He was the Chief Country Officer of Deutsche Bank Manila Branch from June 2003 to July 2019, responsible for the operation of Deutsche Bank entities in the Philippines. He was concurrently the bank's Head of Corporate Finance overseeing debt origination, equity capital markets, advisory and corporate/institutional sales activities. He joined Deutsche Bank in July 1995 where he established the Global Markets (GM) franchise in the Philippines. Prior to Deutsche Bank, Eric was Senior Vice President at Citytrust Banking Corporation (CTBC), an affiliate of Citibank N.A.. He joined CTBC in 1979 as an Executive Development Program Trainee and worked in various operations departments until he was named Head of Centralized Operations Department. He was then tasked in 1989 to head the Treasury Sales and Trading Group until his move to Deutsche Bank. He previously served as a Director of

the Bankers Association of the Philippines (BAP) in 2003-2007, 2011-2015 and 2017-2019 and was a past president of the Money Market Association of the Philippines. Eric obtained his B.S. in Business Economics and MBA from the University of the Philippines. He was named by the UP College of Business as a Distinguished Alumnus in 2008 and a Distinguished Alumnus Awardee by the UP School of Economics Alumni Association in 2015.

Jessie D. Cabaluna, Filipino, 65, was elected independent director of AREIT, Inc. on December 3, 2021. She was the former Assurance Partner and Head of Market Circle – 1 Bacolod Branch of SyCip Gorres Velayo & Co. (SGV). She is presently an Independent Director for Cebu Holdings, Inc., AllHome Corp., and AllDay Marts, Inc. She is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. She has accumulated over twenty years of experience as a partner in the accounting firm, SGV & Co., where she was Partner-in-Charge of the Bacolod Branch. Ms. Cabaluna holds a Bachelor of Science in Commerce (Major in Accounting) from the University of St. La Salle. She has also completed advanced management development programs conducted by the Asian Institute of Management and Harvard Business School.

Nominees to the Board of Directors for election at the stockholders' meeting:

All the incumbent directors.

Management Committee Members / Key Executive Officers

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

**Member of the Board of Directors*

***Ma. Teresa R. Famy was appointed as Chief Finance Officer and Chief Compliance Officer effective July 1, 2021 vice Elaine Marie F. Alzona; and as Treasurer effective August 12, 2021 vice Augusto D. Bengzon*

****As of 24 February 2021*

Elaine Marie F. Alzona, Filipino, 42, served as the Chief Finance Officer and Chief Compliance Officer of AREIT, Inc. since 2019 until June 30, 2021. In addition to this position, Ms. Alzona is the Chief Finance Officer of Hotels for Ayalaland Hotels and Resorts Corp., a position she has filled since 2010. Ms. Alzona is likewise a director for the following companies: Ayalaland Hotels and Resorts Corp., Bonifacio Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., Southcrest Hotel Ventures, Inc., Ecosouth Hotel Ventures, Inc., Sentera Hotel Ventures, Inc., North Triangle Hotel Ventures, Inc., Capitol Central Hotel Ventures, Inc., Cebu Insular Hotel Co, Inc., Econorth Resort Ventures, Inc., Makati North Hotel Ventures, Inc., Circuit Makati Hotel Ventures, Inc., Central Bloc Hotel Ventures, Inc., Arca South Hotel Ventures, Inc., Bay Area Hotel Ventures, Inc., One Makati Hotel Ventures, Inc., One Makati Residential Ventures, Inc., Asiatown Hotel Ventures, Inc., ALI Triangle Hotel Ventures, Inc., Enjay Hotels, Inc., Greenhaven Property Ventures, Inc., ALI Makati

Hotel Property, Inc., ALI Makati Hotel and Residences, Inc., Makati Hotel and Residences Condominium Corporation. In the past, she has acted as director, Chief Finance Officer, and treasurer for both Ayala Hotels, Inc. and Sicogon Town Hotel, Inc. Ms. Alzona is qualified as a Certified Public Accountant. She holds a B.S. in Business Administration and Accountancy from the University of the Philippines (Diliman) as well as a Master in Business Administration from the Asian Institute of Management.

Ma. Teresa R. Famy, Filipino, 55, is the Treasurer, Chief Finance Officer, and Chief Compliance Officer of the Company. She was appointed as the Chief Finance Officer and Chief Compliance Officer effective July 1, 2021, and as Treasurer of the Company effective August 12, 2021. She has been with the ALI Group for 14 years. Prior to her appointment in the Company, Ms. Famy was the Chief Finance Officer of the AyalaMalls Group, Alveo Land Corp., Ayala Land Premier, and Avida Land Corp. Prior to joining the ALI Group, Ms. Famy assumed various roles in Finance in companies engaged in manufacturing and worked as an Auditor for SyCip Gorres Velayo and Co. She is a Certified Public Accountant and holds a Bachelor of Science in Commerce degree from Divine Word College, Legazpi City.

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

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

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

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

Rowena P. Libunao, Filipino, 43, is currently the audit lead for Corporate, Offices, Malls, Hotels and Resorts. She has been with ALI Internal Audit for almost 10 years. Prior to joining Ayala Land, she worked as Internal Auditor for various companies engaged in banking, petroleum and stock exchange. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), and a member of the Institute of Internal Auditors Philippines (IIAP). She holds a Bachelor of Science degree in Accountancy from the Pamantasan ng Lungsod ng Maynila.

Item 10. Executive Compensation

Directors and Executive Officers

Directors

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

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

“Section 12 – By resolution of the Board of Directors, each director, may receive a reasonable per diem allowance for his attendance to each meeting of the Board of Directors. Any additional compensation, other than per diems, to be given to the members of the Board of Directors shall be subject to approval by stockholders representing majority of the outstanding capital stock.

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

The amount of the annual compensation of all directors and principal officers of the Corporation shall be fixed subject to the provision of the REIT Act and other applicable laws, rules, and regulations. No director shall be involved in the determination of his own per diem or compensation during his incumbent term.

Executive Officers*

Name and Principal Position	Year	Salary	Other Variable Pay
Carol T. Mills President & CEO			
August D. Bengzon Treasurer**			
Elaine Marie F. Alzona CFO and Chief Compliance Officer***			
Ma. Teresa R. Famy Treasurer, CFO, Chief Compliance Officer****			
Michael Anthony L. Garcia Investor Relations Officer			
CEO & Most Highly Compensated Executive Officers	Actual 2020	₱5.13M	*₱3.01M
	Actual 2021	₱9.22	₱4.05
	Projected 2022	₱10.24	₱5.47
All other officers***** as a group unnamed			
	Actual 2021	₱1.04	₱0.45
	Projected 2022	₱1.13	₱0.64

* Exclusive of Stock Option exercise.

** Replaced by Ma. Teresa R. Famy as Treasurer effective August 12, 2021.

*** Replaced by Ma. Teresa R. Famy as Chief Finance Officer and Chief Compliance Officer effective July 1, 2021.

**** Replaced Elaine Marie F. Alzona as Chief Finance Officer and Chief Compliance Officer effective July 1, 2021 and Augusto D. Bengzon as Treasurer effective August 12, 2021.

***** Managers and up.

The executive officers are all seconded from Ayala Land, Inc, and they receive no compensation, salary, or per diem from the Company. The amounts stated above cover the compensation of the executive officers of AREIT as secondees from Ayala Land, Inc. Other variable pay paid to the officers by Ayala Land, Inc. covers bonuses. The total annual compensation of the President and top five highly compensated executives amounted to ₱8.14 million in 2020 and ₱13.27 million in 2021. The projected total annual compensation for 2022 is ₱15.71 million.

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

i. Security Ownership of Record and Beneficial Owners of more than 5% as of February 28, 2022:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
Common	Ayala Land, Inc. ¹ 31F, Tower One and Exchange Plaza Ayala Triangle Ayala Ave., Makati City	Ayala Land, Inc. ²	Filipino	801,641,623	53.1271%
Common	PCD Nominee Corporation (Filipino) ³ G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers ⁴	Filipino	453,965,623	30.0856%
Common	AyalaLand Offices, Inc. ⁵	AyalaLand Offices, Inc. ⁶	Filipino	96,292,435	6.3815%

ii. Security Ownership of Directors and Management (Executive Officers) as of February 28, 2022:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of total outstanding shares)
Directors				
Common	Bernard Vincent O. Dy	(direct) 1	Filipino	0.0000%
Common	Augusto D. Bengzon	(direct) 1	Filipino	0.0000%
Common	Jose Emmanuel H. Jalandoni	(direct) 1	Filipino	0.0000%
Common	Carol T. Mills	(direct & indirect) 101,001	Filipino	0.0067%
Common	Enrico S. Cruz	(direct & indirect) 2,625,001	Filipino	0.1740%
Common	Omar T. Cruz	(direct & indirect) 956,901	Filipino	0.0634%
Common	Jessie D. Cabaluna	(direct & indirect) 25,001	Filipino	0.0017%
Common	Mariana E. Zobel de Ayala	(direct) 1	Filipino	0.0000%
CEO and Most Highly Compensated Executive Officers				
Common	Carol T. Mills	(direct & indirect) 101,001	Filipino	0.0067%
Common	Augusto D. Bengzon	(direct) 1	Filipino	0.0000%
Common	Elaine F. Alzona ⁷	(indirect) 5,000	Filipino	0.00049%

¹ Ayala Land, Inc. ("ALI") is the principal stockholder of the Company.

² Under the By-Laws of ALI and the Revised Corporation Code, the ALI Board has the power to decide how ALI's shares are to be voted.

³ PCD is not related to the Company.

⁴ Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The beneficial owner, with certification of ownership of shares from the PCD Participant, has the power to vote *in absentia* or through the Chairman of the meeting as proxy. Out of the 459,446,873 common shares registered in the name of PCD Nominee Corporation, 106,902,844 or 7.0848% of the outstanding capital stock is for the account of BPI Securities Corporation (BPI Trade). BPI Trade and any of its customers have not coordinated with the Company for the submission of SEC Form 18-A for beneficially owning more than 5% of the Company's common shares.

⁵ AyalaLand Offices, Inc. is an affiliate of AREIT, Inc. for having ALI as their common stockholder owning at least 10% of their outstanding capital stock.

⁶ The Board of AyalaLand Offices, Inc. has the power to decide how the shares are to be voted.

⁷ Ms. Ma. Teresa R. Famy was appointed on May 26, 2021 as Chief Finance Officer and Chief Compliance Officer to replace Ms. Alzona effective July 1, 2021, and as Treasurer to replace Mr. Bengzon effective August 12, 2021.

Common	Ma. Teresa R. Famy ⁸	(indirect) 12,000	Filipino	0.0008%
Common	Michael Anthony D. Garcia	0	Filipino	0.0000%
Other Executive Officers				
Common	Solomon M. Hermosura	0	Filipino	0.0000%
Common	Amelia Ann T. Alipao	(indirect) 20,000	Filipino	0.0013%
Common	June Vee D. Monteclaro-Navarro	(indirect) 20,000	Filipino	0.0013%
Common	Rowena P. Libunao	0	Filipino	0.00000%
All Directors and Officers as a group		3,764,908		0.2495%

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

iii. Voting Trust Holders of 5% or more

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

iv. Changes in Control

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

(b) Foreign ownership level as of February 28, 2022:

Security	Total Outstanding Shares	Shares Owned By Foreigners	Percent of Ownership
Common Shares	1,508,910,810	57,376,177	3.8025%

Item 12. Certain Relationships and Related Transactions

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

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

The table below sets out the principal ongoing transactions of the Company with related parties as of December 31, 2021:

⁸ Ms. Ma. Teresa R. Famy was appointed on May 26, 2021 as Chief Finance Officer and Chief Compliance Officer to replace Ms. Alzona effective July 1, 2021, and as Treasurer to replace Mr. Bengzon effective August 12, 2021.

Related Parties	Nature of Transaction	Value of the Transaction
Direct Power Services, Inc.	Retail Electricity Supply agreement to meet the electricity requirements of the facilities of Solaris One, Ayala North Exchange and McKinley Exchange Corporate Center	Varying depending on supply charges computation and adjustments; for year ended December 31, 2021 electricity expense incurred amounted to ₱130.06 million (see Note 20 Audited FS) and ₱42.54 million for year ended December 31, 2020 (see Note 20 of Audited FS).
Ayala Property Management Corporation	Property Management agreements for the facilities management	Management fee recognized amounted to ₱28.18 million and ₱12.60 million for year ended December 31, 2021 and 2020 (see Note 20 of Audited FS).
Ayala Land, Inc.	Contract of Lease for McKinley Exchange Property	Initial monthly rent of ₱2,733,078.00 per month, subject to annual escalation of 5% (see Notes 18 and 20 of Audited FS)
Ayala Land, Inc.	Land lease agreements for Solaris, Teleperformance Cebu, Vertis Offices and Mall, and Bacolod Ayala Northpoint properties	The lease generally provides for a monthly rent based on a certain percentage of gross rental income. The Company recognized land lease amounting to ₱65.72 million and ₱39.04 million in 2021 and 2020 (see Note 18 and 20 of the Audited FS)
AREIT Fund Managers, Inc.	Fund Management Agreement for fund management services	<p>The Company recognized management fee expense amounting to ₱135.33 million and ₱37.37 million in 2021 and 2020 (see Note 20 of Audited FS), 0.10% of the Deposited Property Value (as defined in the Fund Management Agreement) plus 3.5% of the EBITDA before deduction of management fees and after deducting interest expense from lease liabilities for the relevant period.</p> <p>Additional fees, if applicable: 1% of the acquisition price for every acquisition made.</p>

		<p>The Company recognized ₱55.52 million acquisition fee related to the acquisition of properties which was capitalized by the Company.</p> <p>0.50% of the sales price for every property divested.</p> <p>No divestment happened in 2021.</p> <p>The total fees paid to AREIT Fund Manager is within the limit provided under the REIT IRR.</p>
AREIT Property Managers, Inc.	Property Management Agreement for property management services starting August 13, 2020	<p>The Company recognized management fee amounting to ₱103.78 million and ₱34.54 million for year 2021 and 2020 (see Note 20 of Audited FS), computed based on 3% of Gross Rental Income plus Interest Income from finance lease for the relevant period (as defined in the Property Management Agreement) plus 2% of the EBITDA before deduction of Management fees of the Company.</p> <p>The total fees paid to AREIT Property Manager is within the limit provided under the REIT IRR.</p>
HLC Development Corporation	Land lease agreement for the land lease of ANE properties	The Company recognized land lease amounting to ₱74.02 million and ₱71.51 million for year 2021 and 2020 (see Note 20 of Audited FS)
Alveo Land Corp.	Contract of Lease dated January 5, 2018 for office space in Solaris One	The Company recognized rental income amounting to ₱4.62 million and ₱4.66 million in 2021 and 2020 (see Note 20 of the Audited FS)
Makati North Hotel Ventures, Inc.	Contract of Lease dated February 6, 2019 (for 100% of the serviced residences portion of Ayala North Exchange)	<p>Year 1 to 5- Monthly fixed rent of ₱500.00 per sqm of GFA plus P5,000.00 per parking slot.</p> <p>Year 6 onwards- Monthly fixed rent of ₱500.00 per sqm of GFA plus P5,000.00 per parking slot plus 5% of Total</p>

		<p>Hotel Revenues if Total Hotel Revenues exceed ₱500 million or 10% of Total Hotel Revenues if Total Hotel Revenues exceed ₱1 billion.</p> <p>The Company recognized interest income from finance lease receivables amounting to ₱151.39 million and ₱150.81 million in 2021 and 2020 (see Notes 18 and 20 of the Audited FS)</p>
Bank of the Philippine Islands	<p>Contract of Lease dated November 28, 2016 (0.23% of total gross leasable area in Solaris One)</p> <p>Contract of Lease dated April 30, 2019 (10.5% of total gross leasable area in Ayala North Exchange)</p>	The Company recognized rental income amounting to ₱146.33 million and ₱105.06 million in 2021 and 2020 (see Note 20 of the Audited FS)
First Gateway Real Estate Corp.	Contract of Lease dated May 29, 2019 for office space in Ayala North Exchange	₱73.50 million, lease for a period of seven (7) years, VAT exclusive; Rental income recognized amounted to ₱10.63 million and ₱10.52 million in 2021 and 2020 (see Note 20 of the Audited FS)
Amaia Land Corp.	Contract of Lease for office space in Alabang FGU	Rental income recognized amounted to ₱1.22 million in 2021 (see Note 20 of the Audited FS)
Cebu District Property Enterprise, Inc.	Loan covered by a Promissory Note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱45.10 million (see Note 20 of Audited FS)
Central Block Developers, Inc.	Loan covered by Promissory Note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱3.70 million (see Note 20 of the Audited FS)
Arvo Commercial Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱8.77 million (see Note 20 of the Audited FS)
Arca South Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱2.25 million (see Note 20 of the Audited FS)

Crans Montana Property Holdings Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱1.25 million (see Note 20 of the Audited FS)
Capitol Central Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱4.36 million (see Note 20 of the Audited FS)
ALI Makati Hotel Property Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱1.00 million (see Note 20 of the Audited FS)
Soltea Commercial Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱3.17 million (see Note 20 of the Audited FS)
Laguna Technopark, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱0.41 million (see Note 20 of the Audited FS)
AyalaLand Logistics Holdings Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱5.69 million (see Note 20 of the Audited FS)
ALI Triangle Hotel Ventures, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱1.66 million (see Note 20 of the Audited FS)
Cagayan De Oro Gateway Corporation	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱0.54 million (see Note 20 of the Audited FS)
Cavite Commercial Towncenter, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱0.66 million (see Note 20 of the Audited FS)
Bay City Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱337.98 million (see Note 20 of the Audited FS)
ALI Commercial Center, Inc.	Loans covered by Promissory note	Total outstanding receivable balance as of December 31, 2021 amounted to ₱11.08 million (see Note 20 of the Audited FS)

Circuit Makati Hotel Ventures, Inc.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱0.06 million (see Note 20 of the Audited FS)
Airswift Transport, Inc.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱35.62 million (see Note 20 of the Audited FS)
AyalaLand Malls Synergies, Inc.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱2.46 million (see Note 20 of the Audited FS)
Amaia Land Corp.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱84.12 million (see Note 20 of the Audited FS)
Westview Commercial Ventures Corp.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱9.84 million (see Note 20 of the Audited FS)
Ayala Property Management Corporation	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱0.92 million (see Note 20 of the Audited FS)
Accendo Commercial Corp.	Loans covered by Promissory note	Total outstanding receivable as of December 31, 2021 amounted to ₱38.12 million (see Note 20 of the Audited FS)
Integrated Micro-Electronics, Inc.	Acquisition of Laguna Technopark Lots	Monthly rent of ₱60.00 per sq. m. starting January 1, 2020, exclusive of VAT, subject to annual escalation of 5% commencing on January 1, 2021.
Technopark Land, Inc.	Contract of Lease for Laguna Technopark Lots	₱1,106.53 million, inclusive of VAT
Ayala Land, Inc.	Acquisition of The 30 th Commercial Development	₱5,112.06 million, inclusive of VAT.

North Eastern Commercial Corp.	Building Lease for Ayala Malls The 30 th	<p>Rent shall be the higher amount between the (a) fixed rent as stated in the Contract of Lease plus six percent (6%) of rental income; or (b) Minimum Guaranteed Rent as set forth in the schedule indicated in the Contract of Lease; provided that, such fixed rent and minimum guaranteed rent shall be subject to an escalation rate of 3% every three (3) years.</p> <p>The Company recognized interest income from finance lease receivables amounting to ₱10.43 million in 2021 (see Notes 18 and 20 of the Audited FS)</p>
North Eastern Commercial Corp.	Assignment of Contracts over The 30 th Corporate Center	Consideration is included in the sale, transfer, and conveyance of ownership of The 30 th Corporate Center to AREIT
Ayala Land, Inc., Westview Commercial Ventures Corp., and Glensworth Development, Inc.	Deed of Exchange for the Property-for-Share Swap Transaction ⁹	Issuance of 483,254,375 primary common shares in favor of ALI, WCVC, and GDI, in exchange for Swap Properties valued at ₱15,464.14 million at an exchange price of ₱32.00 per share.
Westview Commercial Ventures Corp.	Land lease for Ayala Northpoint Technohub	The lease generally provides for monthly rent based on a certain percentage of gross rental income.
Ceci Realty, Inc.	Land leases for One and Two Evotech	<p><i>For One Evotech</i> ₱29.43 per sq.m. per month (VAT-exclusive) from June 1, 2021 to September 30, 2027, subject to 5% escalation per annum; and beginning October 1, 2037 until September 30, 2058, monthly rent of ₱170.36 per sq.m. (VAT-exclusive), subject to an escalation of 5% per annum.</p> <p><i>For Two Evotech</i></p>

⁹ Appraisal Reports and a Fairness Opinion have been issued by Asian Appraisal Company, Inc. and Isla Lipana & Co., respectively, to establish the fairness of the valuation of the Shares and the Swap Properties

		(a) ₱32.45 per sq.m. (VAT-exclusive) from rental commencement date, subject to escalation rate of 5% per annum for the first five years of the lease; (b) monthly rent for the succeeding years up to April 12, 2040 will be at 4% of AREIT's Gross Rental Income for the building or fixed land lease rate per sq.m., whichever is higher; (c) from April 13, 2040 to April 12, 2-58, fixed land lease rate of ₱197.10 per sq.m. (VAT-exclusive), subject to an escalation rate of 5% per annum.
North Eastern Commercial Corp.	Assignment of Tenant Contracts and Permits for Vertis North Commercial Development	Assignment of contracts and permits is an incident of the transfer of ownership from ALI to AREIT
North Eastern Commercial Corp.	Contract of Building Lease of Vertis North Mall	<p>Fixed Rent, as defined in the contract, plus 6% of rental income; or minimum guaranteed rent as set forth in the schedule attached to the contract, provided that the fixed rent and minimum guaranteed rent shall be subject to an escalation rate of three percent (3%) every three (3) years.</p> <p>The Company recognized interest income from finance lease receivables amounting to ₱28.74 million in 2021 (see Notes 18 and 20 of the Audited FS)</p>
Ayala Land, Inc.	Contract of land lease for Vertis North Commercial Development	Variable rent of 6% of gross rental income from Vertis North Commercial Development

As of December 31, 2021, the Company has paid the following fees to its related parties:

Related Parties	Nature of Transaction	Value of the Transaction
Direct Power Services, Inc.	Retail Electricity Supply agreement to meet the electricity requirements of the facilities of Solaris One, Ayala North Exchange and McKinley Exchange Corporate Center	Varying depending on supply charges computation and adjustments; for year ended December 31, 2021 electricity expense incurred amounted to ₱130.06 million (see Note 20 Audited FS) and ₱42.54 million for year ended December 31, 2020 (see Note 20 of Audited FS).
Ayala Property Management Corporation	Property Management agreements for the facilities management	Management fee recognized amounted to ₱28.18 million and ₱12.60 million for year ended December 31, 2021 and 2020 (see Note 20 of Audited FS).
Ayala Land, Inc.	Contract of Lease for McKinley Exchange Property	Initial monthly rent of ₱2,733,078.00 per month, subject to annual escalation of 5% (see Notes 18 and 20 of Audited FS)
Ayala Land, Inc.	Land lease agreements for Solaris, Teleperformance Cebu, Vertis Offices and Mall, and Bacolod Ayala Northpoint properties	The lease generally provides for a monthly rent based on a certain percentage of gross rental income. The Company recognized land lease amounting to ₱65.72 million and ₱39.04 million in 2021 and 2020 (see Note 18 and 20 of the Audited FS)

Related Parties	Nature of Transaction	Value of the Transaction
AREIT Fund Managers, Inc.	Fund Management Agreement for fund management services	<p>The Company recognized management fee expense amounting to ₱135.33 million and ₱37.37 million in 2021 and 2020 (see Note 20 of Audited FS), 0.10% of the Deposited Property Value (as defined in the Fund Management Agreement) plus 3.5% of the EBITDA before deduction of management fees and after deducting interest expense from lease liabilities for the relevant period.</p> <p>Additional fees, if applicable: 1% of the acquisition price for every acquisition made.</p> <p>The Company recognized ₱55.52 million acquisition fee related to the acquisition of properties which was capitalized by the Company.</p> <p>0.50% of the sales price for every property divested.</p> <p>No divestment happened in 2021.</p> <p>The total fees paid to AREIT Fund Manager is within the limit provided under the REIT IRR.</p>

Related Parties	Nature of Transaction	Value of the Transaction
AREIT Property Managers, Inc.	Property Management Agreement for property management services starting August 13, 2020	<p>The Company recognized management fee amounting to ₱103.78 million and ₱34.54 million for year 2021 and 2020 (see Note 20 of Audited FS), computed based on 3% of Gross Rental Income plus Interest Income from finance lease for the relevant period (as defined in the Property Management Agreement) plus 2% of the EBITDA before deduction of Management fees of the Company.</p> <p>The total fees paid to AREIT Property Manager is within the limit provided under the REIT IRR.</p>
HLC Development Corporation	Land lease agreement for the land lease of ANE properties	<p>The Company recognized land lease amounting to ₱74.02 million and ₱71.51 million for year 2021 and 2020 (see Note 20 of Audited FS)</p>
Integrated Micro-Electronics, Inc.	Acquisition of Laguna Technopark Lots	<p>Monthly rent of ₱60.00 per sq. m. starting January 1, 2020, exclusive of VAT, subject to annual escalation of 5% commencing on January 1, 2021.</p>
Technopark Land, Inc.	Contract of Lease for Laguna Technopark Lots	<p>₱1,106.53 million, inclusive of VAT</p>
Ayala Land, Inc.	Acquisition of The 30 th Commercial Development	<p>₱5,112.06 million, inclusive of VAT.</p>

Related Parties	Nature of Transaction	Value of the Transaction
North Eastern Commercial Corp.	Building Lease for Ayala Malls The 30 th	<p>Rent shall be the higher amount between the (a) fixed rent as stated in the Contract of Lease plus six percent (6%) of rental income; or (b) Minimum Guaranteed Rent as set forth in the schedule indicated in the Contract of Lease; provided that, such fixed rent and minimum guaranteed rent shall be subject to an escalation rate of 3% every three (3) years.</p> <p>The Company recognized interest income from finance lease receivables amounting to ₱10.43 million in 2021 (see Notes 18 and 20 of the Audited FS)</p>
North Eastern Commercial Corp.	Assignment of Contracts over The 30 th Corporate Center	Consideration is included in the sale, transfer, and conveyance of ownership of The 30 th Corporate Center to AREIT
Ayala Land, Inc., Westview Commercial Ventures Corp., and Glensworth Development, Inc.	Deed of Exchange for the Property-for-Share Swap Transaction	Issuance of 483,254,375 primary common shares in favor of ALI, WCVC, and GDI, in exchange for Swap Properties valued at ₱15,464.14 million at an exchange price of ₱32.00 per share.
Westview Commercial Ventures Corp.	Land lease for Ayala Northpoint Technohub	The lease generally provides for monthly rent based on a certain percentage of gross rental income.
Ceci Realty, Inc.	Land leases for One and Two Evotech	<p><i>For One Evotech</i> ₱29.43 per sq.m. per month (VAT-exclusive) from June 1, 2021 to September 30, 2027, subject to 5% escalation per annum; and beginning October 1, 2037 until September 30, 2058, monthly rent of ₱170.36 per sq.m. (VAT-exclusive), subject to an escalation of 5% per annum.</p> <p><i>For Two Evotech</i> (a) ₱32.45 per sq.m. (VAT-exclusive) from rental</p>

Related Parties	Nature of Transaction	Value of the Transaction
		commencement date, subject to escalation rate of 5% per annum for the first five years of the lease; (b) monthly rent for the succeeding years up to April 12, 2040 will be at 4% of AREIT's Gross Rental Income for the building or fixed land lease rate per sq.m., whichever is higher; (c) from April 13, 2040 to April 12, 2-58, fixed land lease rate of ₱197.10 per sq.m. (VAT-exclusive), subject to an escalation rate of 5% per annum.
North Eastern Commercial Corp.	Assignment of Tenant Contracts and Permits for Vertis North Commercial Development	Assignment of contracts and permits is an incident of the transfer of ownership from ALI to AREIT
North Eastern Commercial Corp.	Contract of Building Lease of Vertis North Mall	Fixed Rent, as defined in the contract, plus 6% of rental income; or minimum guaranteed rent as set forth in the schedule attached to the contract, provided that the fixed rent and minimum guaranteed rent shall be subject to an escalation rate of three percent (3%) every three (3) years.
		The Company recognized interest income from finance lease receivables amounting to ₱28.74 million in 2021 (see Notes 18 and 20 of the Audited FS)
Ayala Land, Inc.	Contract of land lease for Vertis North Commercial Development	Variable rent of 6% of gross rental income from Vertis North Commercial Development

On 10 March 2022, the Risk Management and Related Party Transactions Review Committee of the Company, approved and endorsed the subscription of Ayala Land, Inc. to up to 263,959,895 primary common shares of AREIT in exchange for identified key commercial properties valued at ₱11,257,889,535.91 under a property-for-share swap transaction at a final transaction price ranging from ₱42.65 to ₱44.65 per share ("Property-for-Share Swap Transaction"), as validated by a third-party fairness opinion. The Board of Directors of the Company, by unanimous vote likewise approved the transaction on even date.

No other transaction, without proper disclosure, was undertaken by the Company in which any director or executive officer, any nominee for election as director, any beneficial owner of more than 5% of the

Company's outstanding shares (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

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

Material related transactions are reviewed and approved by the Risk Management and Related Party Transactions Review Committee in accordance with the Company's Related Party Transactions Policy.

PART V- CORPORATE GOVERNANCE

Item 13. Compliance with leading practice on Corporate Governance

AREIT is committed to strong and transparent corporate governance. The Company amended its Corporate Governance Manual (CG Manual) on February 24, 2022 to ensure compliance with the leading practices on good corporate governance and related SEC rules and regulations. The Company also amended its By-Laws to align with the Revised Corporation Code.

The Board of Directors and Management review the Company's vision and mission to ensure good governance and ensure that its strategies are implemented in accordance with good governance practices. The Board ensures that internal control mechanism and procedures are in place. The Compliance Officer monitors compliance with and violations of the CG Manual.

AREIT's website www.aret.com.ph is updated regularly which contains corporate information, policies, Board and committee charters, corporate governance reports and disclosures for the investors, stakeholders and public in general.

In compliance with the Code of Corporate Governance for Publicly Listed Companies, all directors attended the 2021 Integrated Corporate Governance, Risk Management and Sustainability Summit.

The Company held more than six meetings in 2021 with all directors present. There are two women directors on the board of the Company.

The Company holds regular media and analysts briefing.

There was no material deviation from the CG Manual and the Company is compliant with all corporate governance requirements as provided in the Real Estate Investment Trust Act of 2009 and SEC Memorandum Circular No. 1 Series of 2020 (the Revised REIT IRR).

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

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

(a) Exhibits- See accompanying Index to Exhibits

The following exhibit is incorporated by reference in this report.

2021 Audited Financial Statements

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

(b) Reports on SEC form 17-C

The following current reports have been reported by Ayala Land during the year 2021.

Unstructured Disclosures

- FY 2020 Results Press Release
- Results of the 24 Feb 2021 AREIT Board Meeting
- Statement regarding the disclosure of Ayala Land, Inc.
- Results of the 16 Mar 2021 AREIT Board Meeting
- AREIT property value to reach P52B via accretive P15B asset infusion by ALI
- AREIT to boost dividends, identifies 10 properties worth P15B for share swap with ALI
- Results of the 30 Mar 2021 AREIT Board Meeting
- 1Q 2021 Results Press Release
- Results of the 26 May 2021 AREIT Board Meeting
- Deed of Exchange between AREIT and Ayala Land, Inc.
- Change in accounting methodology
- 1H 2021 Results Press Release
- Results of the 12 Aug 2021 AREIT Board Meeting
- AREIT marks 1st year since IPO, declares cash dividends; sets carbon neutrality by end 2021 and net zero emission of current buildings in 2022
- 3Q 2021 Cash Dividend Declaration
- AREIT awarded most outstanding IPO in PH by Asiamoney; included in FTSE EPRA Nareit Asia ex Japan REIT Index
- 9M 2021 Results Press Release
- Board Committee Charters
- 3-year AREIT Investment Strategy
- Changes in the composition of Board Committees

(c) Reports under SEC form 17-C files

None.

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

On February 24, 2022, the Board of Directors ratified and approved the following:

1. Establishment of the Risk Management and Related Party Transactions Review Committee by combining the Related Party Transactions Review and Board Risk Oversight Committees. As endorsed by our Corporate Governance and Nomination Committee, the following are the appointed Chairperson and members of the committee, all of whom are our independent directors, namely:

Omar T. Cruz, Chairman
Enrico S. Cruz, Member
Jessie D. Cabaluna, Member

2. Amendments to the following charters, manual and policy to align with the Corporation's Amended By-Laws, Asean Corporate Governance Scorecard, and the Code of Corporate Governance for Publicly-Listed Companies:

- i. Insider Trading Policy
- ii. Board Charter
- iii. Manual of Corporate Governance

On March 10, 2022 the Board of Directors of AREIT, Inc. (AREIT) approved the following items:

1. The subscription of Ayala Land, Inc (ALI) to 252,136,383 AREIT primary common shares, in exchange for six office buildings located in Cebu, valued at P11,257,889,535.91, under a property-for-share swap, as validated by a third-party fairness opinion;
2. The conduct of a special stockholders' meeting on 21 April 2022, immediately following AREIT's Annual Stockholders' Meeting. The conduct of a special stockholders' meeting complies with the requirements of the Philippine Stock Exchange for the approval of the majority of the minority shareholders of a waiver of the requirement to conduct rights or public offering on the 252,136,383 primary common shares of AREIT to be subscribed to by ALI in connection with the foregoing proposed property-for-share swap transaction.

The proposed property-for-share swap is subject to the approval of AREIT shareholders at their annual meeting on 21 April 2022 and pertinent regulatory bodies. We will submit additional relevant disclosures in due course subject to closing requirements.

The transaction will be indicated in AREIT's Definitive Information Statement, which will be available to its shareholders by 31 March 2022. AREIT shall submit the required Comprehensive Corporate Disclosure on the transaction within five (5) trading days from this initial disclosure, as per PSE Listing Rules.

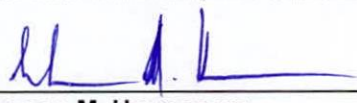

SIGNATURES

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

By:



Carol T. Mills
 President and Chief Executive Officer


Ma. Teresa R. Famy
 Chief Finance Officer, Treasurer and Chief Compliance Officer



Solomon M. Hermosura
 Corporate Secretary 

SUBSCRIBED AND SWORN to before me this day of **MAR 28 2022** 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Carol T. Mills	P9958069A	December 17, 2018	DFA NCR South
Ma. Teresa R. Famy	P8757104B	January 25, 2022	DFA Manila
Solomon M. Hermosura	P3081434B	October 14, 2019	DFA NCR East

Doc No. 451
 Page No. 88
 Book No. XV
 Series of 2022.
AREIT, INC. 




MA FLORENCE THERESE D.G. MARTIREZ-CRUZ
 Notary Public - Makati City
 Appt. No. M-154 until December 31, 2021
 Roll of Attorneys No. 60896
 Extended until June 30, 2022
 IBP No. 178376 - 02/16/2022 - Makati City
 PTR No. MKT8862852 - 01/11/2022 - Makati City
 MCLE Compliance No. VI-0009482 - 06/20/2018
 28th Floor, Tower One and Exchange Plaza
 Ayala Triangle, Ayala Avenue
 Makati City, Philippines

Notarial DST pursuant to
 Sec. 18A of the Tax Code
 affixed on Notary Public's copy

INDEX TO EXHIBITS
Form 17-A

No.

(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	n.a.
(5)	Instruments Defining the Rights of Security Holders, including Indentures	n.a.
(8)	Voting Trust Agreement	n.a.
(10)	2021 Audited Financial Statement (with notarized Statement of Management Responsibility)	
	Attached 2021 Financial Statement of "significant" subsidiaries/affiliates which are not consolidated	n.a.
(13)	Letter re: Change in Certifying Accountant	n.a.
(15)	Letter re: Change in Accounting Principles	n.a.
(16)	Report Furnished to Security Holders	n.a.
(18)	Subsidiaries of the Registrants	n.a.
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	n.a.
(20)	Consent of Experts and Independent Counsel	n.a.
(21)	Power of Attorney	n.a.
(29)	Additional Exhibits	n.a.

n.a Not applicable or require no answer.

AREIT, INC.

**INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A**

Supplementary Schedules *(For schedules A- H please refer to pages 53-68)*

Report of Independent Public Accountants on Supplementary Schedules

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

Other Supporting Schedules

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

Sustainability Report

A copy of AREIT's 2021 Integrated Report, will be available on the link below on or before the date of its Annual Stockholders' Meeting on April 21, 2022

<https://areit.com.ph/investor-relations/annual-reports>

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated February 24, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez
Partner

CPA Certificate No. 112004

Tax Identification No. 925-713-249

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

SEC Partner Accreditation No. 112004-SEC (Group A)

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

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

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

BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854339, January 3, 2022, Makati City

February 24, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and have issued our report thereon dated February 24, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez
Partner

CPA Certificate No. 112004

Tax Identification No. 925-713-249

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

SEC Partner Accreditation No. 112004-SEC (Group A)

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

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

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

BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854339, January 3, 2022, Makati City

February 24, 2021



AREIT, INC.

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex B: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

Annex C: Supplementary Schedules Required by Annex 68-J

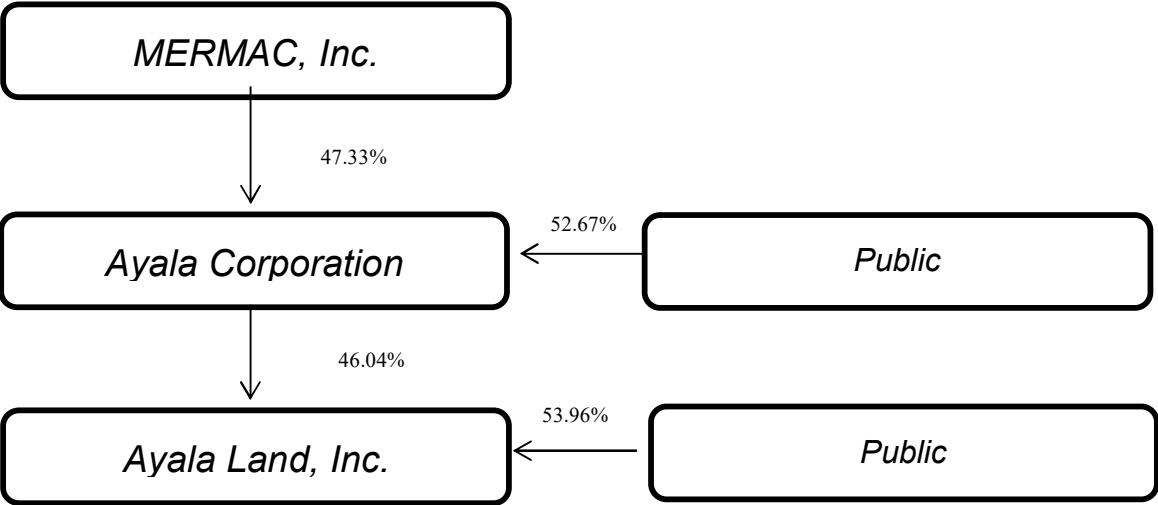
- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
- Schedule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

AREIT, INC.**Reconciliation of Retained Earnings Available for Dividend Declaration
DECEMBER 31, 2021**

Unappropriated Retained Earnings, beginning		₱21,765,499,530
Less: Cumulative Fair Value Adjustment of Investment Properties from its Original Cost		
Restatement adjustment	20,469,371,278	
Accumulated depreciation	(1,082,955,724)	19,386,415,554
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		2,379,083,976
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings		2,433,267,040
Less: Non-actual/unrealized income net of tax		
Fair Value adjustments of Investment Properties resulting to gain adjustment due to deviation from PFRS/GAAP – gain		164,502,279
Gain on finance lease		49,763,675
Net income Actual/Realized		2,219,001,086
Dividend declarations during the year		(1,733,359,375)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱2,864,725,687

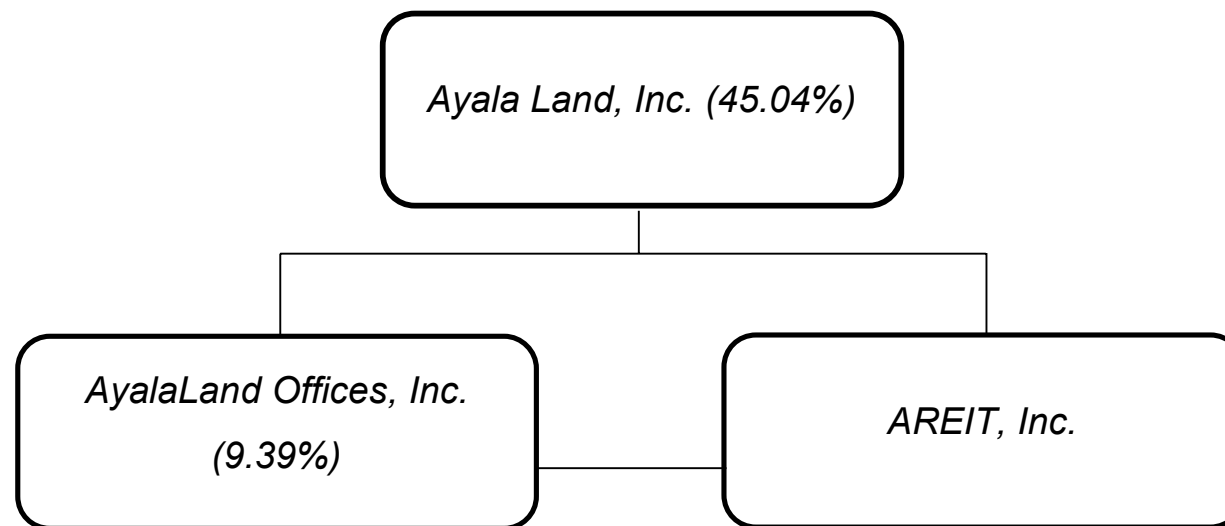


MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2021



AREIT, INC.

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2021



AYALA LAND, INC.

Cagayan de Oro Gateway Corp. (70%)

Adauge Commercial Corporation (60%)

Alabang Commercial Corporation (50%)

Ayala Property Management Corp. (100%)

Soltea Commercial Corp. (60%)

Southgateway Development Corp. (100%)

Makati Development Corporation (100%)

Ayala Theatres Management, Inc. & S. (100%)

CMPI Holdings, Inc. (60%)

Ayalaland MetroNorth, Inc. (100%)

Ayala Hotels, Inc. (50%)

DirectPower Services, Inc. (100%)

ALI-CII Development Corporation (50%)

North Triangle Depot Commercial Corp. (73%)

AyalaLand Hotels and Resorts Corp. (100%)

Phil. Integrated Energy Solutions, Inc. (100%)

Roxas Land Corporation (50%)

BGWest Properties, Inc. (50%)

Lagdigan Land Corp. (60%)

Five Star Cinema, Inc. (100%)

Ten Knots Phils, Inc. (60%)

Ten Knots Development, Corp. (60%)

Southportal Properties Inc. (65%)

Leisure and Allied Industries Philippines, Inc. (50%)

ALInet.com, Inc. (100%)

First Longfield Investments Limited (100%)

Aprisa Business Process Solutions, Inc. (100%)

AyalaLand Club Management, Inc. (100%)

Varejo Corp. (100%)

Ayala Land Malls, Inc. (100%)

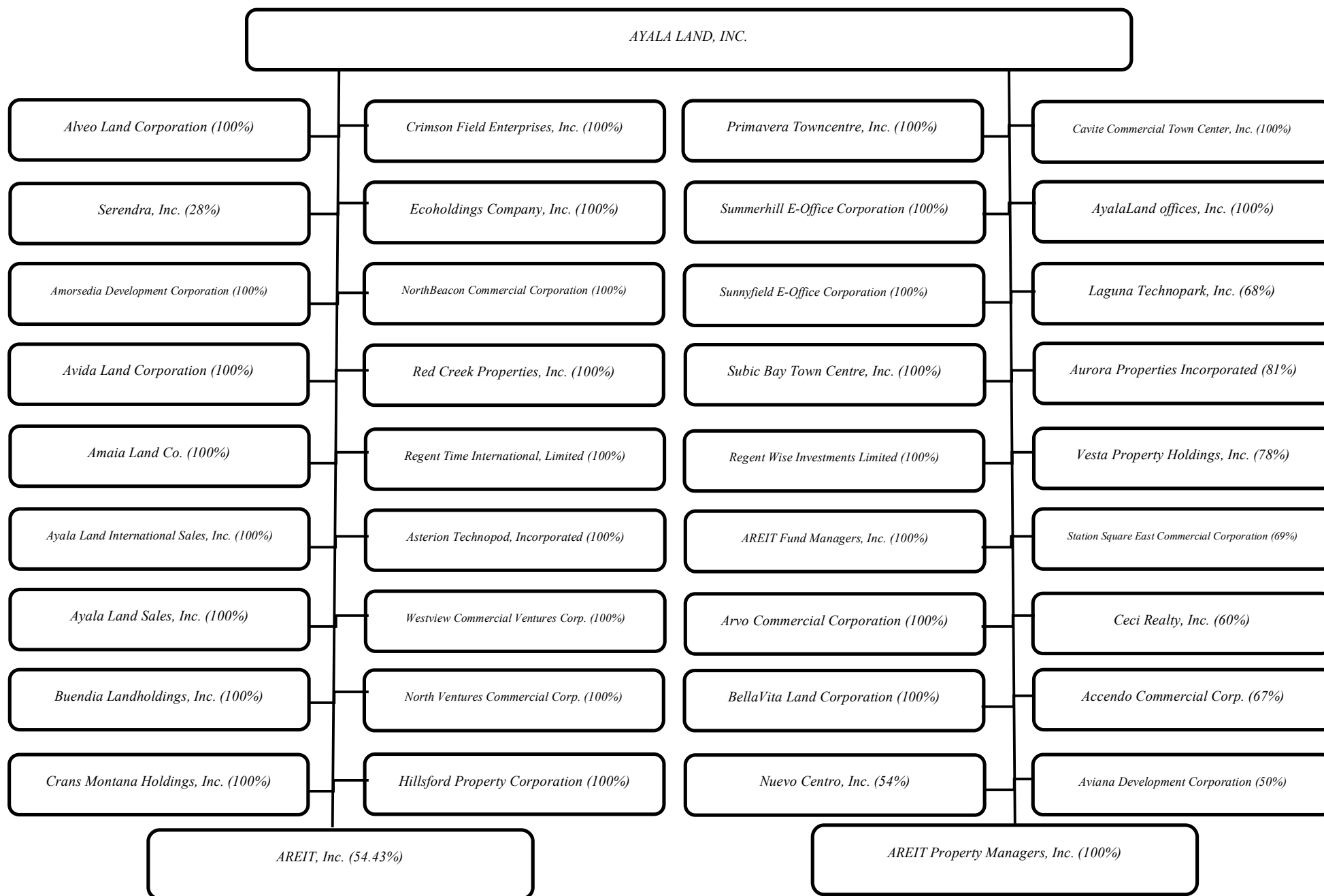
Verde Golf Development Corporation (100%)

Whiteknight Holdings, Inc. (100%)

ALI Commercial Center Inc. (100%)

Cebu Holdings Inc. (71%)

AREIT, Inc. (54.43%)



SCHEDULE A

AREIT, INC.**SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2021**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash			
Cash in banks			
Deutsch Bank	₱50,915,914	₱50,915,914	₱137,149
Bank of Philippine Islands	41,052,330	41,052,330	105,180
	91,968,244	91,968,244	242,329
Receivables			
Related parties	4,199,935,323	4,199,935,323	6,966,317
Third parties	220,680,256	220,680,256	–
Others	858,963	858,963	–
	4,421,474,542	4,421,474,542	6,966,317
	₱4,513,442,786	₱4,513,442,786	₱7,208,646

SCHEDULE B

AREIT, INC.

**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS,
OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN
RELATED PARTIES)
DECEMBER 31, 2021**

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

AREIT, INC.

**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED
PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2021

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

AREIT, INC.

**SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2021**

Indebtedness to Related Parties (Long-term Loans from Related Companies)		
Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2021

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

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2021

Capital Stock						
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employee s	Others
Common shares	2,950,000,000	1,508,910,810	–	1,508,910,810	13	–

AREIT, INC.

**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2021**

Ratio	Formula	2021	2020	2019
Current ratio	Current assets / Current liabilities	0.67	3.55	4.17
Acid test ratio	Quick assets / Current liabilities (Quick assets includes cash and receivables – current portion)	0.63	3.32	3.99
Solvency ratio	Net Income add Depreciation/ Total debt (Total debt includes short-term debt, long-term debt and current portion of long-term debt)	0.63	0.00	0.00
Debt-to-equity ratio	Total debt / Stockholders' equity	0.08	0.00	0.00
Asset-to-equity ratio	Total assets / Stockholders' equity	1.16	1.07	1.17
Interest rate coverage ratio**	EBITDA / Interest expense	14.02	23.63	103.77
Return on equity	Net income / Average total stockholders' equity	5%	19%	N/A*
Return on assets	Net income after tax / Average total assets	6%	21%	N/A*
Net profit margin	Net income / Total revenue	0.73	3.08	2.22

*December 31, 2019 ratio is not presented since the statement of financial position for December 31, 2018 is not part of the financial statements

**EBITDA refers to earnings before interest, taxes, depreciation, amortization and excludes net fair value change in investment properties and nonrecurring gain under finance lease



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of AREIT, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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


JOSE EMMANUEL H. JALANDONI
Chairman, Board of Directors


CAROL T. MILLS
President & Chief Executive Officer


MA. TERESA R. FAMY
Chief Finance Officer

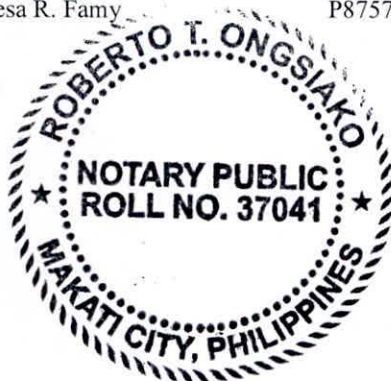
SUBSCRIBED AND SWORN to before me this FEB 24 2022 at Makati City, affiants exhibiting to me their respective Passports, to wit:

<u>Name</u>
Jose Emmanuel H. Jalandoni
Carol T. Mills
Ma. Teresa R. Famy

<u>Passport No.</u>
P6984078B
P9958069A
P8757104B

<u>Date & Place of Issue</u>
June 15, 2021 / DFA Manila
December 17, 2018 / DFA NCR South
January 25, 2022 / DFA Manila

Doc. No. 102 ;
Page No. 22 ;
Book No. XL1 ;
Series of 2022.



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. 8852355MJ - 01/03/2022 - Makati City
MCLE Compliance No. VII - 0000267 - 07/30/2019
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

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

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	6	1	3	8	7	0
---	---	---	---	---	---	---	---	---	---	---

COMPANY NAME

[illegible]

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

[illegible]

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

S	E	C	
---	---	---	--

Secondary License Type, If Applicable

N	/	A	
---	---	---	--

COMPANY INFORMATION

Company's Email Address

corporateservices@aglegal.com.ph

Company's Telephone Number

(02) 7908-3804

Mobile Number

	N/A
--	-----

No. of Stockholders

16

Annual Meeting (Month / Day)

4/23

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ma. Teresa R. Famy

Email Address

famy.myrra@ayalaland.com.ph

Telephone Number/s

Telephone Number/s

Mobile Number

Website Number	N/A
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CONTACT PERSON'S ADDRESS

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

NOTE1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated. **2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of AREIT, Inc. (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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



Valuation of Investment Properties

The Company owns and operates investment properties located in Luzon and Visayas which comprise 88.6% of its total assets as of December 31, 2021. The investment properties are accounted for under the fair value method and the valuations were carried out by the management and an external valuer.

We identified the valuation of investment properties account as a key audit matter because it is material to the financial statements and the determination of the fair values of these properties involves significant judgment and estimation by the management and external valuer. They apply key assumptions for discount rates, growth rates and free cash flows, which are influenced by the prevailing market rates and comparable information.

The Company's disclosures about investment properties are included in Note 7 to the financial statements.

Audit Response

We evaluated the reasonableness of the fair value computations, valuation methodology adopted and the underlying assumptions in connection with the valuations of investment properties of the Company as of December 31, 2021. These key assumptions include discount rates, growth rates and free cash flows. In addition, we assessed whether the discount rates used are within the acceptable range with assistance from our internal valuation specialist and performed a certain sensitivity analysis. We evaluated the competence and independence of the external valuer engaged by the Company. We will also assess the sufficiency of disclosures in the financial statements.

Other Information

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

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

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

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

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

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



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

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

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

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

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez

Partner

CPA Certificate No. 112004

Tax Identification No. 925-713-249

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

SEC Partner Accreditation No. 112004-SEC (Group A)

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

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

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

BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854339, January 3, 2022, Makati City

February 24, 2022



AREIT, INC.**STATEMENTS OF FINANCIAL POSITION**

	December 31		January 1
		2020	2020
	2021	(As restated – Note 2)	(As restated – Note 2)
ASSETS			
Current Assets			
Cash (Notes 4 and 21)	₱92,010,744	₱58,977,547	₱122,180,606
Receivables (Notes 5, 20 and 21)	1,320,940,578	2,373,620,721	1,967,170,494
Other current assets (Notes 6 and 21)	110,291,205	168,341,004	91,577,595
Total Current Assets	1,523,242,527	2,600,939,272	2,180,928,695
Noncurrent Assets			
Noncurrent portion of receivables (Notes 5 and 21)	3,063,077,918	2,194,794,056	2,215,249,105
Investment properties (Note 7)	50,081,060,761	29,189,674,985	25,380,629,552
Property and equipment (Note 8)	309,716	12,053	20,089
Other noncurrent assets (Note 6)	1,835,836,322	1,114,633,940	1,034,082,386
Total Noncurrent Assets	54,980,284,717	32,499,115,034	28,629,981,132
	₱56,503,527,244	₱35,100,054,306	₱30,810,909,827
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Notes 9 and 21)	₱530,622,799	₱513,927,478	₱274,477,842
Short-term debt (Notes 10 and 21)	890,000,000	–	–
Current portion of deposits, other liabilities (Notes 12 and 21)	735,086,847	129,399,846	166,793,502
Current portion of lease liability (Note 18)	42,967,375	34,300,129	–
Construction bonds (Note 11)	58,579,640	–	11,105,498
Income tax payable	–	54,444,350	71,241,650
Total Current Liabilities	2,257,256,661	732,071,803	523,618,492
Noncurrent Liabilities			
Long-term debt (Note 10)	2,957,472,367	–	–
Deposits, other liabilities, net of current portion (Notes 12 and 21)	1,290,194,773	722,693,405	600,134,138
Lease liability- net of current portion (Note 18)	1,111,013,455	837,543,814	–
Deferred tax liabilities - net (Note 19)	–	–	3,454,687,620
Total Noncurrent Liabilities	5,358,680,595	1,560,237,219	4,054,821,758
Total Liabilities	7,615,937,256	2,292,309,022	4,578,440,250
Equity (Note 13)			
Paid-up capital	15,762,407,800	10,929,864,050	10,451,224,050
Treasury shares	(673,299,700)	(673,299,700)	(673,299,700)
Additional paid-in capital	11,333,074,693	785,681,404	–
Retained earnings	22,465,407,195	21,765,499,530	16,454,545,227
Total Equity	48,887,589,988	32,807,745,284	26,232,469,577
	₱56,503,527,244	₱35,100,054,306	₱30,810,909,827

See accompanying Notes to Financial Statements.



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

	Years Ended December 31		
	2021	2020 (As restated – Note 2)	2019 (As restated – Note 2)
REVENUE			
Rental income (Notes 7, 14 and 18)	₱2,506,910,928	₱1,495,723,891	₱1,323,922,868
Dues (Notes 7 and 15)	621,005,658	389,381,503	301,200,669
Interest income from finance lease receivables (Notes 15 and 18)	188,547,234	150,814,117	46,837,607
	3,316,463,820	2,035,919,511	1,671,961,144
NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES (Note 7)	164,502,279	1,424,645,596	2,746,772,709
COSTS AND EXPENSES			
Direct operating expenses (Notes 7 and 17)	815,866,427	444,066,931	354,321,121
General and administrative expenses (Note 17)	103,397,784	49,474,313	14,181,546
	919,264,211	493,541,244	368,502,667
OTHER INCOME (CHARGES) – Net			
Gain under finance lease (Note 18)	49,763,675	–	397,139,330
Interest income (Notes 4, 16 and 20)	7,208,646	78,670,585	58,261,840
Interest expense and other charges (Notes 10, 12 and 17)	(185,459,737)	(65,419,126)	(12,562,538)
Other income (Note 16)	101,034	3,660,620	137,200
	(128,386,382)	16,912,079	442,975,832
INCOME BEFORE INCOME TAX	2,433,315,506	2,983,935,942	4,493,207,018
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)	48,466	(3,280,878,846)	788,867,272
NET INCOME	2,433,267,040	6,264,814,788	3,704,339,746
OTHER COMPREHENSIVE INCOME	–	–	–
TOTAL COMPREHENSIVE INCOME	₱2,433,267,040	₱6,264,814,788	₱3,704,339,746
Basic/Diluted Earnings Per Share (Note 22)	₱1.64	₱6.29	₱3.79

See accompanying Notes to Financial Statements.



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

	Years Ended December 31		
	2021	2020 (As restated – Note 2)	2019 (As restated – Note 2)
PAID-UP CAPITAL (Note 13)			
Common Shares - ₱10 par value			
Balance at beginning of year	₱10,929,864,050	₱10,451,224,050	₱10,451,224,050
Issuance of new shares	4,832,543,750	478,640,000	–
Balance at end of year	15,762,407,800	10,929,864,050	10,451,224,050
ADDITIONAL PAID-IN CAPITAL (Note 13)			
Balance at beginning of year	785,681,404	–	–
Issuance of new shares	10,583,270,809	785,681,404	–
Share issuance costs	(35,877,520)	–	–
Balance at end of year	11,333,074,693	785,681,404	–
TREASURY SHARES (Note 13)			
Balance at beginning and end of year	(673,299,700)	(673,299,700)	(673,299,700)
RETAINED EARNINGS (Note 13)			
Balance at beginning of year	21,765,499,530	16,454,545,227	722,691,606
Restatement	–	–	12,988,811,544
Balance at beginning of period, as restated	21,765,499,530	16,454,545,227	13,711,503,150
Total comprehensive income/Net income	2,433,267,040	6,264,814,788	3,704,339,746
Cash dividends	(1,733,359,375)	(953,860,485)	(961,297,669)
Balance at end of year	22,465,407,195	21,765,499,530	16,454,545,227
	₱48,887,589,988	₱32,807,745,284	₱26,232,469,577

See accompanying Notes to Financial Statements.



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

	Years Ended December 31		
	2021	2020 (As restated – Note 2)	2019 (As restated – Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱2,433,315,506	₱2,983,935,942	₱4,493,207,018
Adjustments for:			
Net fair value change in investment properties (Note 7)	(164,502,279)	(1,424,645,596)	(2,746,772,709)
Depreciation and amortization (Notes 7, 8 and 17)	42,043	8,036	31,404
Interest expense (Notes 10, 12 and 17)	169,820,104	65,419,126	12,562,538
Gain under finance lease (Note 16 and 18)	(49,763,675)	–	(397,139,330)
Interest income from finance lease receivables (Notes 16 and 21)	(188,547,234)	(150,814,117)	(46,837,607)
Interest income (Notes 4, 16 and 20)	(7,208,646)	(78,670,585)	(58,261,840)
Operating income before working capital changes	2,193,155,819	1,395,232,806	1,256,789,474
Changes in operating assets and liabilities:			
Increase in:			
Receivables	(683,376,821)	(90,137,357)	(308,968,413)
Other assets	(717,596,933)	(157,314,963)	(5,345,676)
Increase (decrease) in:			
Accounts and other payables	15,789,571	280,552,617	(79,193,659)
Deposits and other liabilities	1,148,320,226	71,237,355	81,861,675
Construction bonds	58,579,640	(11,105,498)	8,367,056
Cash generated from operations	2,014,871,502	1,488,464,960	953,510,457
Interest received	195,755,880	229,484,702	105,099,447
Interest paid	(81,036,681)	–	–
Income tax paid	(48,466)	(190,606,074)	(189,868,211)
Net cash flows provided by operating activities	2,129,542,235	1,527,343,588	868,741,693
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in due from related parties (Notes 20 and 25)	881,900,000	(343,300,000)	199,000,000
Payments for additions to investment properties (Note 7)	(5,019,127,301)	(1,483,807,649)	(10,392,521)
Payments for additions to property and equipment (Note 8)	(339,706)	–	–
Net cash flows provided by (used in) investing activities	(4,137,567,007)	(1,827,107,649)	188,607,479
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of dividends (Note 13)	(1,733,359,375)	(953,860,485)	(961,297,669)
Proceeds from short-term debt (Note 10)	34,379,500,000	–	–
Payments of short-term debt (Note 10)	(33,489,500,000)	–	–
Payment of share issuance cost (Note 13)	(35,877,520)	–	–
Payments of lease liability (Note 18)	(37,177,503)	(32,796,936)	–

(Forward)



Years Ended December 31			
	2021	2020 (As restated – Note 2)	2019 (As restated – Note 2)
Net proceeds from long-term debt	₱2,957,472,367	₱–	₱–
Net proceeds from issuance of shares (Notes 13 and 17)	–	1,223,218,423	–
Net cash flows provided by (used in) financing activities	2,041,057,969	236,561,002	(961,297,669)
NET INCREASE (DECREASE) IN CASH	33,033,197	(63,203,059)	96,051,503
CASH AT BEGINNING OF YEAR	58,977,547	122,180,606	26,129,103
CASH AT END OF YEAR (Note 4)	₱92,010,744	₱58,977,547	₱122,180,606

See accompanying Notes to Financial Statements.



AREIT, INC.

NOTES TO 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. 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.

As of December 31, 2021, the Company is publicly-listed, 53.13%-owned by Ayala Land Inc. (ALI), 6.38%-owned by AyalaLand Offices, Inc. (ALOI), 2.48%-owned by Westview Commercial Ventures Corp. (WCVC), a wholly-owned subsidiary of ALI, 4.12%-owned by Glensworth Development, Inc. (GDI), a wholly owned subsidiary of ALOI, 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., handle the fund manager functions and property management functions of the Company, respectively (see Note 20).

The accompanying financial statements were approved and authorized for issue by the BOD on February 24, 2022.



2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

Statement of Compliance

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

Restatement

In 2021, the Company voluntarily changed its accounting policy on investment properties from cost model to fair value model which requires restatement of previous financial statements. The change will provide the users of the financial statements a more relevant information as it reflects the current valuation of the Company as a REIT entity. As a result, the comparative December 31, 2020 audited statement of financial position and comparative statement of comprehensive income and statement of changes in equity for years ended December 31, 2020 and 2019 were restated to reflect the effect of the voluntary change.

Statement of Financial Position

		As previously reported		As restated
	Ref	December 31, 2019	Adjustment	January 1, 2020
Assets				
Receivables	b	₱4,551,478,656	(₱369,059,057)	₱4,182,419,599
Investment properties	a	6,192,374,393	19,188,255,159	25,380,629,552
Liabilities				
Deferred tax liabilities – net	a, d	₱67,232,321	₱3,387,455,299	₱3,454,687,620
Equity				
Retained earnings	a	1,022,804,424	15,431,740,803	16,454,545,227
		As previously reported		As restated
	Ref	December 31, 2020	Adjustment	December 31, 2020
Assets				
Receivables	b	₱4,984,916,013	(₱416,501,236)	₱4,568,414,777
Investment properties	a	8,303,802,471	20,885,872,514	29,189,674,985
Equity				
Retained earnings	a	₱1,296,128,252	₱20,469,371,278	₱21,765,499,530



Statement of Comprehensive Income

	Ref	As previously reported December 31, 2019	Adjustment	As restated December 31, 2019
Direct operating expenses	c	₱544,896,759	(₱190,575,638)	₱354,321,121
Net fair value gain in investment properties	a	-	2,746,772,709	2,746,772,709
Provision for income tax	d	294,448,184	494,419,088	788,867,272
Net income		1,261,410,487	2,442,929,259	3,704,339,746

	Ref	As previously reported December 31, 2020	Adjustment	As restated December 31, 2020
Direct operating expenses	c	₱647,213,560	(₱203,146,629)	₱444,066,931
Net fair value gain in investment properties	a	-	1,424,645,596	1,424,645,596
Provision for income tax	d	106,576,453	(3,387,455,299)	(3,280,878,846)
Net income		1,227,184,312	5,037,630,475	6,264,814,788

Below are the discussions of the adjustments:

- Under fair value accounting, investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts based on the "income approach" which is based on the buildings' discounted future cash flows. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. Gains and losses arising from the fair value accounting are adjusted to retained earnings as at January 1, 2020. This resulted to an increase in deferred tax liabilities.
- In determining the carrying amount under the fair value model, the Company does not double-count assets or liabilities that are recognized separately. The Company derecognized related accrued rental income which was previously presented under "Receivables" which resulted in a decrease in deferred tax liabilities.
- Depreciation expense under cost model previously recorded as part of "direct operating expenses" was reversed.
- Deferred taxes are recognized based on the effective income tax rate of 0% and 18% as of December 31, 2020 and January 1, 2020, respectively.

The restatements have no significant impact in the statements of cash flows for the years ended December 31, 2020 and 2019.

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, 2021. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

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



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

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

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

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

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

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

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

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

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments had no material impact on the financial statements of the Company.

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

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. This includes accounting for CUSA charges discussed in PIC Q&A No. 2018-12-H which concludes that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 for a period of three years. The deferral will only be applicable for real estate transactions.

The Company adopted PIC Q&A 2018-12, PFRS 15 – Accounting for CUSA starting January 1, 2021 which concludes that real estate developers are generally acting as principal for CUSA. The Company adopted the change using the full retrospective method of adoption.



As a result of the adoption, the Company presented the revenue from CUSA 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 charges, (b) as agent on Condominium Units for CUSA charges, and (c) as agent for electricity and water usage (see Note 15).

Shown below is the detailed comparison between current and previous presentations of revenue and expense accounts related to CUSA, and utility charges.

	2020		2019	
	Current presentation	Previous presentation	Current presentation	Previous presentation
Revenue				
Dues	₱389,381,503	₱305,087,397	₱301,200,669	₱192,320,957
Direct operating expenses				
Repairs and maintenance	(38,119,740)	—	(39,120,487)	—
Outside services	(40,912,975)	—	(63,827,195)	—
Others	(5,261,391)	—	(5,932,030)	—
	₱305,087,397	₱305,087,397	₱192,320,957	₱192,320,957

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, 2022

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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



Current and Noncurrent Classification

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are noncurrent.

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

Cash

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

Financial Instruments

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

Financial assets

Initial recognition and measurement

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

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

In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that passes the 'solely payments of principal and interest' on the principal amount outstanding (SPPI criterion). This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both.



Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) (FVOCI with recycling)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) (FVOCI with no recycling)
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Company's financial liabilities include accounts and other payables, security deposits, construction bonds, short-term and long-term debt.

Subsequent measurement

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

Loans and borrowings

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

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



Derecognition of Financial Instruments

Financial asset

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

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

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

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

Financial liability

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

Impairment of Financial Assets

The Company recognizes an allowance for expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash in banks, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, were there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from a reputable credit rating agency to determine whether the debt instrument has significantly increased credit risk and to estimate ECL.

For trade receivables and finance lease receivable, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



The Company considers a financial asset in default when contractual payments are 90 days past due since security deposits are equivalent to 90 days which are paid at the start of the lease term which will cover any defaults. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of Financial Instruments

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

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

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

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

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

Fair Value Hierarchy

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

- Level 1: - quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



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

Deposits and Other Liabilities

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

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

Other Assets

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

Input VAT

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

Deferred input VAT

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

Recoverable deposits

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

Advances to contractors

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

Creditable withholding taxes

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

Investment Properties

Investment properties and completed properties that are held to earn rentals or capital appreciation or both and are not occupied by the Company. The initial cost of investment properties consists of any directly attributable costs of bringing the investment properties to their intended location and working condition, including borrowing costs.



Investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by management and independent valuation experts based on the "income approach". Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise. In determining the carrying amount of investment property under the fair value model, the Company does not double-count assets or liabilities that are recognized as separate assets or liabilities.

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

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

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

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that other current assets and other noncurrent assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Equity

Paid-up capital and Additional paid-in capital (APIC)

Capital stock is measured at par value for all shares subscribed, issued and outstanding. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

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



Stock issuance costs

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

Treasury shares

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

Retained earnings

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

Revenue Recognition

The Company is in the business of leasing its investment property portfolio. The Company's non-lease performance obligations include common area management and administration of utility services.

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

Dues

Dues are recognized when the related services are rendered. Common area, air conditioning, electricity and water dues in excess of actual charges and consumption are recorded as revenue. Billing from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

Other income

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

Disaggregated revenue information

The non-lease component of the Company's revenue arises from common area charges and utilities dues. The Company's performance obligations are to ensure that common areas are available for general use of its tenants and to provide for uninterrupted utility services such as water and electricity (see Note 15).

Allocation of transaction price to performance obligation

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

Timing of revenue recognition

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



Income outside the scope of PFRS 15

Rental income

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

No rental income is recognized when the Company waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment (see Note 18).

Interest income from finance lease receivables

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

Interest income

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

Costs and Expenses

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

Costs and expenses are recognized:

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

Leases

The Company as lessor - operating lease

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

The Company as lessor - finance lease

A lease is classified as a finance lease if the Company transfers substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company shall recognize assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company shall use the interest rate implicit in the lease to measure the net investment in the lease. Finance income is recognized over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease.

The Company as lessee

Right-of-use asset

The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable linked to the future performance or use of an underlying asset. Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease



liabilities. The cost of right-of-use asset includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use asset are subject to impairment.

Lease liabilities

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred tax

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

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

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



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

Earnings Per Share (EPS)

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

Segment Reporting

The Company's lease operation is its only segment. Financial information on business segment is presented in Note 23 to the financial statements.

Provisions

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

Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events After the End of the Reporting Period

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

3. Summary of Significant Accounting Estimates, Judgments and Assumptions

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



Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Assessment of the Company being effectively a 'tax-free' entity

There are entities which are specifically exempt from income tax under the tax rules, and accordingly are not within the scope of PAS 12, *Income Taxes*. For REIT entities, while not formally designated as 'tax-free' under the tax rules, are nevertheless "income tax-free" provided that they meet certain conditions (e.g. listing status, dividend payments, etc.). A REIT entity is required to distribute at least 90% of its annual income as a dividend to its investors and is allowed to treat the dividend as deduction for tax purposes making it effectively a "income tax-free" entity.

The Company abides with the provisions of the REIT law and complies with the 90% dividend distribution. The Company has determined, based on its current tax regime and expected dividend distribution in the succeeding periods, that it is effectively an "income tax-free" entity. Accordingly, the Company did not recognize deferred taxes after its listing as a REIT entity.

Determination of whether the Company is acting as a Principal or an Agent

The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services.

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

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

Operating lease commitments – the Company as lessor

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

Finance lease commitments – the Company as lessor

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

Evaluation whether the acquired set of assets constitute a business

The Company acquired additional portfolio of investment properties during the year and elected to apply the optional concentration test to determine whether the acquired assets or group of assets constitute a business. The Company has determined that the acquisition is a purchase of asset as the acquisition passed the concentration test due to: (a) the building is considered a single identifiable asset (b) substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset.



See Note 7 for details of the acquired properties in 2021 from various parties.

Estimates and Assumptions

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

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

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

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

The carrying value of the Company's trade receivables amounted to ₱4,384.02 million and ₱4,568.41 million as of December 31, 2021 and 2020 respectively, net of allowance for credit losses amounting to ₱37.46 million and ₱14.92 million as of December 31, 2021 and 2020, respectively (see Note 5).

Evaluating impairment of nonfinancial assets carried at costs

The Company regularly reviews its nonfinancial asset carried at costs for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends including the impact of COVID. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

In 2021, the Company recognized allowance for probable loss on CWT amounting to ₱33.00 million (see Notes 6 and 17).

The carrying values of the Company's nonfinancial assets follow:

	2021	2020
Input VAT (Note 6)	₱959,608,313	₱544,655,980
Deferred input VAT (Note 6)	885,255,771	614,857,354
Creditable withholding taxes (Note 6)	85,587,338	112,971,793
	₱1,930,451,422	₱1,272,485,127



Valuation of investment properties held at fair value

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

Fair value of investment properties amounted to ₱50,081.06 million and ₱29,189.67 million as of December 31, 2021 and 2020, respectively. Net fair value change in investment properties recognized in profit or loss amounted to ₱164.50 million, ₱1,424.65 million and ₱2,746.77 million for the years ended December 31, 2021, 2020, and 2019 respectively (see Note 7).

4. Cash

This account consists of:

	2021	2020
Cash on hand	₱42,500	₱22,500
Cash in banks	91,968,244	58,955,047
	₱92,010,744	₱58,977,547

Cash in banks earn interest at the respective bank deposit rates which ranges from 0.85% to 0.35% in 2021 and 2020. Interest income earned from cash in banks amounted to ₱0.24 million, ₱0.36 million and ₱0.31 million in 2021, 2020 and 2019, respectively (see Note 16).

5. Receivables

This account consists of:

	2021	2020 (As restated – Note 2)
Finance lease receivable (Notes 18, 20 and 21)	₱3,285,820,422	₱2,242,581,055
Due from related parties (Note 20)	914,114,901	2,242,543,812
Trade receivables – billed	220,680,256	97,316,019
Other receivables	858,963	897,650
	4,421,474,542	4,583,338,536
Less allowance for credit losses	37,456,046	14,923,759
	4,384,018,496	4,568,414,777
Less noncurrent portion of finance lease receivable	3,063,077,918	2,194,794,056
	₱1,320,940,578	₱2,373,620,721

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

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



The movements in allowance for credit losses follows:

	2021	2020
Balance at beginning of year	₱14,923,759	₱7,664,917
Provision (Note 17 and 21)	22,532,287	7,258,842
Balance at end of year	₱37,456,046	₱14,923,759

6. Other Assets

Other Current Assets

This account consists of:

	2021	2020
Input VAT	₱97,794,584	₱158,306,544
Recoverable deposits	12,496,621	10,034,460
	₱110,291,205	₱168,341,004

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

Recoverable deposits pertain to various utility deposits.

Other Noncurrent Assets

This account consists of:

	2021	2020
Input VAT	₱885,255,771	₱386,349,436
Deferred input VAT	861,813,729	614,857,354
Creditable withholding taxes	118,587,338	112,971,793
Advances to contractors	3,179,484	455,357
	1,868,836,322	1,114,633,940
Less allowance for possible losses (Note 17)	33,000,000	—
	₱1,835,836,322	₱1,114,633,940

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

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

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related lease receivable and are utilized as tax credits against income tax due. In 2021, the Company recognized allowance for probable loss on CWT amounting to ₱33.00 million (see Note 17).

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



7. Investment Properties

	2021	2020 December 31 (As restated – Note 2)
Beginning of the period	₱29,189,674,985	₱25,380,629,552
Acquisitions	21,577,487,178	2,336,957,658
Property under finance lease	(886,240,458)	–
Gain on fair value adjustment	200,139,056	1,472,087,775
	₱50,081,060,761	₱29,189,674,985

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

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

On October 7, 2021, SEC approved the property-for-share-swap transaction of the Company. This were acquired from ALI, GDI and WCVI and involves six commercial properties namely:

- Vertis North Commercial Development – A mixed-use development located at the heart of Quezon City. It is composed of three (3) office towers with a total GLA of 125,507.39 sq. m. and a retail podium with a GLA of 39,305.76 sq.m.
- Evotech One and Two – Evotech One and Two consists of two (2) office buildings situated in Lakeside Evozone, Nuvali, Laguna. The property caters to the special demands of IT and BPO companies looking to establish themselves in the south of Metro Manila.
- Bacolod Capitol Corporate Center – A five-storey PEZA-accredited corporate center in Bacolod City comprised of 11,313.14 sq. m. of leasable office space.
- Ayala Northpoint Technohub – A two-storey PEZA-accredited technohub in Bacolod City with a GLA of 4,653.50 sq. m. of office space.
- BPI-Philam Life Makati – BPI Philam Life Makati Building is a 32-storey office tower at the intersection of Ayala Avenue and Gil Puyat Avenue. The property-for-share swap transaction covers three (3) condominium office units of the property.
- BPI-Philam Life Alabang – BPI Philam Life Alabang is a corporate center in Madrigal Business Park, Alabang, Muntinlupa City. The Building is a 14-storey corporate center office that caters to all employees, primarily corporate professionals. The property-for-share swap transaction covers six (6) condominium office units of the property.



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

As of December 31, 2021, the investment properties are composed of seven (7) stand-alone buildings, three (3) mixed-used properties, nine (9) condominium office units, and four (4) land parcels. The stand-alone buildings are Solaris One and McKinley Exchange located in Makati City, Teleperformance Cebu located at Cebu I.T. Park, Cebu City, Evotech One and Two consisting of two (2) office buildings situated in Laguna, Bacolod Capitol Corporate Center and Ayala Northpoint Technohub located in Bacolod City. The mixed-used properties are Ayala North Exchange, The 30th Commercial Development, and Vertis North Commercial Development. Ayala North Exchange is located along Ayala Avenue, Makati composed of two office towers, a retail podium and serviced apartments; The 30th Commercial Development features a 19-storey office building complemented by a four-storey retail podium; while Vertis North Commercial Development is a mixed-use development composed of three (3) office towers and a retail podium located in Quezon City. The condominium office units are BPI-Philam Life Makati composed of three (3) condominium office units located at the intersection of Ayala Avenue and Gil Puyat Avenue, and BPI-Philam Life Alabang composed of six (6) condominium office units located at Madrigal Business Park, Alabang, Muntinlupa City. The four land parcels in Laguna Technopark are being leased to IML.

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. The fair value of the investment properties was determined by management and independent and professionally qualified appraiser on June 30, 2021 except for Teleperformance Cebu building, which was appraised on December 31, 2021.

The fair value of the Company's investment properties was determined using the Income Approach which is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value. The fair value is sensitive to the unobservable inputs of lease income growth rate and discount rate. Significant increases (decreases) in discount rate would result in a significantly lower (higher) fair value measurement while a change in the assumption used for the lease income growth rate is accompanied by a directionally similar change in the Company's fair value of investment properties.

Teleperformance Cebu building was appraised on December 31, 2021 while the fair value of the other investment properties as of December 31, 2021 were updated from the June 30, 2021 appraisal report to reflect changes in the assumptions as of December 31, 2021.

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

December 31, 2021

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties	June 30, 2021 (Adjusted to December 31, 2021)	₱47,481,880,761	₱-	₱-	₱47,481,880,761
Teleperformance Cebu	December 31, 2021	2,599,180,000	-	-	2,599,180,000
Total		₱50,081,060,761	₱-	₱-	₱50,081,060,761

December 31, 2020

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



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

	2021	2020	2019
Increase in fair value of investment properties	₱200,139,056	₱1,479,137,317	₱2,802,073,788
Straight-line adjustment	(35,636,777)	(47,442,179)	(46,837,607)
Lease commissions	-	(7,049,542)	(8,463,472)
	₱164,502,279	₱1,424,645,596	₱2,746,772,709

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

	2021	2020	2019
Rental income (Note 14)	₱2,506,910,928	₱1,495,723,891	₱1,323,922,868
Dues (Note 15)	621,005,658	389,381,503	301,200,669
Direct operating expenses (Note 17)	815,866,427	444,066,931	354,321,121

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

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

8. Property and Equipment

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

	2021	2020
Cost		
Balance at beginning and end of year	₱1,888,872	₱1,888,872
Additions	339,706	-
Balance at end of year	2,228,578	1,888,872
Accumulated Depreciation		
Balance at beginning of year	1,876,819	1,868,783
Depreciation (Note 17)	42,043	8,036
Balance at end of year	1,918,862	1,876,819
Net Book Value	₱309,716	₱12,053

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

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



9. Accounts and Other Payables

This account consists of:

	2021	2020
Due to related parties (Note 21)	₱299,429,900	₱405,111,433
Accounts payable	99,045,078	26,949,888
Accrued expenses		
Light and water	22,492,161	10,770,650
Rent	13,413,162	12,654,660
Repairs and maintenance	7,546,168	14,331,615
Others	23,971,364	18,838,974
Taxes payable	61,777,639	24,485,058
Retention payable	2,041,577	785,200
Interest payable	905,750	–
	₱530,622,799	₱513,927,478

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.

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

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

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

10. Short-term Debt, Interest Payable and Long-term Debt

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

The outstanding short-term loans payable amounting to ₱890.00 million as of December 31, 2021 pertains to unsecured and interest bearing 30-day loans with interest rate of 1.95%.

Interest expense recognized in the statements of comprehensive income for the year ended December 31, 2021 amounted ₱81.94 million (see Note 17). The remaining unpaid interest amounted to ₱0.91 million as of December 31, 2021.

Philippine Peso 3-year bonds due 2023

On December 28, 2021, the Company issued a total of ₱3.00 billion fixed bonds due 2023 at a rate equivalent to 3.0445% p.a. The Bonds represent the first tranche of debt securities issued under the Company's ₱15.00 billion Debt Securities Program registered with the SEC and the first REIT in the Philippines to list a bond issued to public investors. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.



The loan agreements contain the following restrictions: material changes in nature of business; maintenance of aggregate leverage limit; payment of dividends and additional loans maturing beyond a year which will result to non-compliance of the required aggregate leverage limit; merger or consolidation where the Company is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Company as of December 31, 2021.

Debt issue costs amounted to ₱42.70 million in 2021. Amortization amounted to ₱0.18 million in 2021 and included under "Other charges" (see Note 17).

11. Construction Bonds

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

The carrying value of the Company's construction bonds amounted to ₱58.58 million as of December 31, 2021 and nil as of December 31, 2020.

12. Deposits and Other Liabilities

This account consists of:

	2021	2020
Advance rentals	₱999,233,922	₱406,952,127
Security deposits (Note 21)	942,749,081	383,208,715
Deferred credits	83,298,617	61,932,409
	2,025,281,620	852,093,251
Less current portion	735,086,847	129,399,846
	₱1,290,194,773	₱722,693,405

The current portion of these accounts follows:

	2021	2020
Security deposits (Note 21)	₱436,882,890	₱83,737,432
Advance rentals	286,265,507	45,536,484
Deferred credits	11,938,450	125,930
	₱735,086,847	₱129,399,846

Advance rentals

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

Security deposits

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



The rollforward of security deposits follows:

	2021	2020
Gross Amount		
Balance at beginning of year	₱460,762,969	₱394,737,664
Additions	582,212,828	66,025,305
Refunds	(3,708,331)	—
Balance at end of year	1,039,267,466	460,762,969
Unamortized Discount		
Balance at beginning of year	77,554,254	80,290,250
Additions	43,832,274	11,192,260
Accretion (Note 17)	(24,868,143)	(13,928,256)
Balance at end of year	96,518,385	77,554,254
Net Amount	₱942,749,081	₱383,208,715

Deferred credits

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

The rollforward of deferred credits follows:

	2021	2020
Balance at beginning of year	₱61,932,409	₱66,465,881
Additions	43,832,274	11,192,260
Amortization (Note 14)	(22,466,066)	(15,725,732)
Balance at end of year	83,298,617	61,932,409
Less current portion	11,938,450	125,930
	₱71,360,167	₱61,806,479

13. Equity

Capital stock

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

	2021	2020
Authorized	2,950,000,000	1,174,000,000
Par value per share	₱10.00	₱10.00
Issued and outstanding shares	1,508,910,810	1,025,656,435

The changes in the number of common shares follow:

	2021	2020	2019
Authorized number of shares			
Balance at beginning of year at ₱10 par value	1,174,000,000	1,174,000,000	1,174,000,000
Increase in authorized capital stock at ₱10 par value	1,776,000,000	—	—
Balance at end of year	2,950,000,000	1,174,000,000	1,174,000,000

(Forward)



	2021	2020	2019
Issued shares			
Balance at beginning of year	1,092,986,405	1,045,122,405	1,045,122,405
Issuance of new shares	483,254,375	47,864,000	—
Balance at end of year	1,576,240,780	1,092,986,405	1,045,122,405
Treasury shares			
Balance at beginning and end of year	(67,329,970)	(67,329,970)	(67,329,970)
Outstanding	1,508,910,810	1,025,656,435	977,792,435

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

On October 7, 2021, the SEC's approved the increase in authorized capital stock of 1,776,000,000 common shares with a par value of ₱10 per share and approved subscriptions of ALI, WCVI and GDI of shares in exchange for the identified properties for 483,254,375 common shares with an exchange price of ₱32 per share.

Initial Public Offering (IPO)

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

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

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

Additional Paid-in Capital (APIC)

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

In 2021, the Company recorded APIC amounting to ₱10,583.27 million, net of transaction costs. The Company incurred transaction costs incidental to the property-for-share swap transaction that is directly attributable to the issuance of new shares amounting to ₱48.33 million in 2021.

Retained Earnings

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

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

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



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.

Capital Management

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

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

		2020 December 31 (As restated – Note 2)	2020 January 1 (As restated – Note 2)
	2021		
Paid-up capital	₱15,762,407,800	₱10,929,864,050	₱10,451,224,050
Additional paid-in capital	11,333,074,693	785,681,404	–
Treasury shares	(673,299,700)	(673,299,700)	(673,299,700)
Retained earnings	22,465,407,195	21,765,499,530	16,454,545,227
	₱48,887,589,988	₱32,807,745,284	₱26,232,469,577

The Company is subject to externally imposed capital requirements from its debt covenants and the requirement of the REIT law section 8.10: *Aggregate Leverage Limit* (see Note 10). Other than this, there are no changes made in the Company's capital management objectives, policies or processes in 2021, 2020 and 2019.

14. Rental Income

This account consists of:

	2021	2020	2019
Office and retail (Note 18)	₱2,375,942,463	₱1,407,588,642	₱1,247,556,282
Parking fees (Note 18)	108,502,399	72,409,517	58,112,083
Amortization of deferred credits (Note 12)	22,466,066	15,725,732	18,254,503
	₱2,506,910,928	₱1,495,723,891	₱1,323,922,868



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

15. Dues and Interest Income from Finance Lease Receivables

Dues pertains to net recoveries from tenants for the usage of common areas and utilities. Set out below is the disaggregation of the Company's revenue from non-lease component:

	2021	2020	2019
Dues:			
Common area charges	₱535,376,072	₱310,003,926	₱270,941,343
Utilities dues	85,629,586	79,377,577	30,259,326
	₱621,005,658	₱389,381,503	₱301,200,669

Interest income from finance lease receivables

This account pertains to accretion of finance lease receivable amounting to ₱188.55 million, ₱150.81 million and ₱46.84 million in 2021, 2020 and 2019, respectively, (see Note 18).

16. Interest and Other Income

Interest Income

This account consists of:

	2021	2020	2019
Interest income from intercompany loans (Note 21)	₱6,966,317	₱78,306,379	₱57,948,495
Interest income from cash in banks (Note 4)	242,329	364,206	313,345
	₱7,208,646	₱78,670,585	₱-

Other Income

This account pertains to income earned from interest and penalties arising from late payments amounting to ₱0.10 million, ₱3.66 million and ₱0.14 million in 2021, 2020 and 2019, respectively.

17. Costs and Expenses and Other Charges

Direct Operating Expenses

This account consists of:

	2021	2020 (As restated)	2019 (As restated)
Management fees (Note 20)	₱267,294,759	₱97,850,770	₱35,543,753
Taxes and licenses	204,801,681	139,690,380	101,510,662
Land lease (Notes 18 and 20)	168,962,930	110,552,423	97,521,679
Repairs and maintenance	83,328,757	38,119,740	39,120,487
Outside services	64,167,146	40,912,975	63,827,195

(Forward)



	2021	2020 (As restated)	2019 (As restated)
Insurance	₱9,617,107	₱8,249,699	₱6,125,499
Miscellaneous	5,643,292	5,261,390	5,932,031
Others	12,050,755	3,429,554	4,739,815
	₱815,866,427	₱444,066,931	₱354,321,121

General and Administrative Expenses

This account consists of:

	2021	2020	2019
Provision for probable losses (Note 6)	₱33,000,000	₱-	₱-
Taxes and licenses	31,437,964	26,806,570	1,769,095
Provision for doubtful accounts (Note 5)	22,532,287	7,258,842	-
System costs (Note 20)	5,359,691	-	149,500
Professional fees	4,461,905	6,529,287	11,025,773
Depreciation (Note 8)	42,043	8,036	31,404
Others	6,563,894	8,871,578	1,205,774
	₱103,397,784	₱49,474,313	₱14,181,546

Interest Expense

This account consists of:

	2021	2020	2019
Interest expense from loans (Note 10)	₱81,942,431	₱-	₱-
Interest expense on lease liabilities (Note 18)	63,009,530	51,490,870	-
Accretion of security deposit (Note 12)	24,868,143	13,928,256	12,562,538
	₱169,820,104	₱65,419,126	₱12,562,538

Other Charges

This account consists of the amortization of bond issue cost amounting to ₱0.18 million and PSE filing fee related to listing of property-for-shares transaction amounting to ₱15.46 million in 2021.

18. Agreements and Lease Commitments

The Company as lessor - operating lease

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

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

	2021	2020	2019
Within one year	₱2,258,171,359	₱1,580,530,864	₱1,247,102,277
After one year but not more than five years	5,264,621,359	5,332,899,560	5,111,571,372
More than five years	418,483,308	492,474,823	341,483,942
	₱7,941,276,026	₱7,405,905,247	₱6,700,157,591



Total rental income amounted to ₱2,506.91 million, ₱1,495.72 million and ₱1,323.92 million in 2021, 2020 and 2019, respectively (see Note 14). Rental income arising from variable rent based on gross sales amounted to ₱5.65 million, ₱5.98 million, and ₱2.12 million in 2021, 2020 and 2019, respectively.

In 2021 and 2020, the Company granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱48.07 million and ₱37.59 million, respectively. These rent concessions did not qualify as a lease modification, thus, were accounted for as a variable lease payment and reported as reduction of lease income in 2021 and 2020.

The Company as lessor - finance lease

In 2021, the Company entered into building lease agreement with NECC for a term of 36 years. The agreement pertains to the lease of a retail podium of The 30th. The lease agreement states that the Company shall deliver to NECC the physical possession of the leased premise on January 1, 2021. The lease generally provides for rates based on higher between the a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years.

On October 1, 2021, the Company entered into building lease agreement with NECC for a term of 36 years. The agreement pertains to the lease of Vertis North Commercial Development Mall. The lease agreement states that the Company shall deliver to NECC the physical possession of the leased premise on October 1, 2021. The lease generally provides for rates based on higher between the a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years.

In 2019, the Company entered into a building lease agreement with Makati North Hotel Ventures, Inc. (MNHVI) for a term of 39 years (see Note 20). The agreement pertains to the lease of a portion, composed of 18 floors stacked on top of the headquarters tower, of ANE building. The lease agreement states that the Company shall deliver to MNHVI the physical possession of the leased premise on July 8, 2019. The lease generally provides for (a) quarterly rent based on a fixed rate for the first five (5) years and (b) fixed rate plus a certain percentage of total revenue of the Lessee for the remaining period of the lease term.

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

	2021	2020	2019
Within one year	₱236,172,830	₱189,728,000	₱203,280,000
More than one year and not more than five years	943,485,358	650,496,000	650,496,000
More than 5 years	8,465,334,764	5,390,029,750	5,552,653,750
Total undiscounted lease payments and unguaranteed residual value	9,644,992,952	6,230,253,750	6,406,429,750
Less: unearned finance income	6,359,172,530	3,987,672,695	4,138,497,813
Net investment in the lease	₱3,285,820,422	₱2,242,581,055	₱2,267,931,937

The net investment in the lease with MNHVI and NECC consists of the present value of minimum lease payments amounting to ₱2,221.09 million and ₱936.00 million, respectively. The Company derecognized the portion of investment property under finance lease amounting to ₱886.24 million which resulted in a gain under finance lease amounting to ₱49.76 million and ₱397.14 million in 2021 and 2019 (nil in 2020, see Note 7). The Company also recognized interest income earned amounting to ₱188.55 million, ₱150.81 million and ₱46.84 million for 2021, 2020 and 2019, respectively (see Note 16).

The Company remains to be the legal owner of the portion of ANE building, retail podium of The 30th and Vertis North Commercial Development Mall under finance lease.



The Company as lessee

On January 1, 2016, the Company entered into a land lease agreement with ALI for a term of 50 years (see Note 20). The agreement pertains to land lease of Solaris building. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income. On April 26, 2019, the lease agreement was amended reducing the lease term from 50 years to 33 years.

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

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

Effective October 1, 2021, GDI assigned to the Company the land lease agreement with Ceci Realty, Inc. ("CECI") with a lease term of 36 years. The agreement pertains to land lease of One and Two Evotech properties. The rent is payable at a fixed monthly rate, subject to an escalation rate of five percent (5%) per annum.

Effective October 1, 2021, WCVI assigned to the Company the land lease agreement with Province of Negros Occidental with a lease term of 50 years. The agreement pertains to land lease of Bacolod Capitol property. The rent is payable at a fixed monthly rate, subject to an escalation rate ten percent (10%) every five (5) years.

The total cash outflow related to leases amounted to ₱206.14 million, ₱143.35 million and ₱97.52 million in 2021, 2020 and 2019, respectively. This is composed of interest payments amounting to ₱37.18 million and ₱32.80 million in 2021 and 2020 (nil in 2019) for lease contracts where the Company recognized lease liability and variable lease payments amounting to ₱168.96 million, ₱110.55 million and ₱97.52 million in 2021, 2020 and 2019, respectively. No payment was attributed to principal of lease liability in 2021 and 2020.

The rollforward analysis of lease liability follows:

	2021	2020
Balance at beginning the period	₱871,843,943	₱-
Addition	256,304,860	853,150,009
Interest expense (Note 17)	63,009,530	51,490,870
Payment	(37,177,503)	(32,796,936)
Balance at the end of the period	1,153,980,830	871,843,943
Current lease liability	42,967,375	34,300,129
Noncurrent lease liabilities	₱1,111,013,455	₱837,543,814

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

	2021	2020	2019
Rent expense - variable lease payments (Note 17)	₱168,962,930	₱110,552,423	₱97,521,679
Accretion of interest expense (Note 17)	63,009,530	51,490,870	-
Total amounts recognized in the statements of comprehensive income	₱231,972,460	₱162,043,293	₱97,521,679



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

Effective October 1, 2021, NECC assigned to the Company its 36-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Vertis Tower 1-3 and Mall building is located. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

Effective October 1, 2021, WCVL assigned to the Company its 36-year land lease agreement with ALI. The agreement pertains to lease of the parcels of land wherein the Bacolod BPO property building is located. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

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

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

19. Income Tax

Provision for (benefit from) income tax consists of:

	2021	2020	2019
Current	₱-	₱173,735,934	₱202,459,244
Deferred	-	(3,454,687,621)	586,345,359
Final	48,466	72,841	62,669
	₱48,466	(3,280,878,846)	₱788,867,272

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

In 2021, 2020, and 2019 the Company availed of the optional standard deduction (OSD).

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

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

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2021	₱688,819,663	₱-	₱688,819,663	2026
2020	481,283,017	-	481,283,017	2025
	₱1,170,102,680	₱-	₱1,170,102,680	



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

	2021	2020	2019
Statutory income tax rate	25.00%	30.00%	30.00%
Add (deduct) tax effect of:			
Nondeductible expenses	18.59	0.32	0.16
Nontaxable income	(0.93)	(0.36)	(4.17)
Deductible expenses due to option to use OSD	(8.05)	(9.47)	(8.43)
Movement in deferred taxes	—	3.26	—
Unrecognized deferred taxes	—	(108.61)	—
Deductible dividends	(34.60)	(25.09)	—
Effective income tax rate	0%	(109.95%)	17.56%

20. Related Party Transactions

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

Terms and Conditions of Transactions with Related Parties

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

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

Material related party transactions ("RPT")

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

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.

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

Category	December 31, 2021			
	Volume	Outstanding Balance	Terms	Conditions
Finance lease receivable				
Makati North Hotel Ventures, Inc. (i)	₱162,624,000	₱2,312,655,616	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
North Eastern Commercial Corp. (j)	973,164,806	973,164,806	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
Due from related parties				
Parent Company				
Ayala Land, Inc. (a and b)	362,986,377	290,385,878	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment

(Forward)



December 31, 2021				
Category	Volume	Outstanding Balance	Terms	Conditions
Affiliates*				
Cebu District Property Enterprise, Inc. (b)	₱45,097,500	₱45,097,500	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc. (b)	390,085,003	3,700	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	116,453,869	8,768,252	Interest-bearing; On demand	Unsecured; No impairment
Arca South Commercial Ventures Corp. (b)	116,678,221	2,250,258	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	67,002,587	1,246,956	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	53,040,056	4,363,618	Interest-bearing; On demand	Unsecured; No impairment
ALI Makati Hotel Property, Inc. (b)	76,648,262	1,004,074	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	21,452,637	3,167,767	Interest-bearing; On demand	Unsecured; No impairment
Laguna Technopark Inc. (b)	52,243,886	408,479	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	39,220,982	5,687,206	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc. (b)	1,661,006	1,661,006	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation (b)	25,841,449	537,083	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	24,950,003	657,962	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	3,768,013	3,768,013	Interest-bearing; On demand	Unsecured; No impairment
Bay City Commercial Ventures Corp. (b)			Interest-bearing; On demand	Unsecured; No impairment
ALI Commercial Center, Inc. (b)	337,982,540	337,982,540	Interest-bearing; On demand	Unsecured; No impairment
Makati North Hotel Ventures, Inc. (i)	11,078,757	11,078,757	Interest-bearing; On demand	Unsecured; No impairment
North Eastern Commercial Corp. (j)			Noninterest-bearing; On demand	Unsecured; No impairment
	2,952,040	2,952,040	Noninterest-bearing; On demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc. (b)	4,291,375	61,579	Interest-bearing; On demand	Unsecured; No impairment
Airswift Transport, Inc. (b)	35,622,688	35,622,688	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Malls Synergies, Inc. (b)	1,945,589	2,464,492	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	84,119,559	84,119,560	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	9,838,850	9,838,850	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	921,869	921,869	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)		119,225	Interest-bearing; On demand	Unsecured; No impairment
BellaVita Land Corp. (b)	-	39,830	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	-	38,382	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (g)	1,873,562	1,755,974	Noninterest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	38,116,832	38,116,832	Interest-bearing; On demand	Unsecured; No impairment
North Triangle Depot Commercial Corp (b)	985	985	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)			Interest-bearing; On demand	Unsecured; No impairment
	-	150		
		₱4,199,935,323		



December 31, 2021				
Category	Volume	Outstanding Balance	Terms	Conditions
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	₱265,232,671	₱47,566,230	Noninterest-bearing, due and demandable	Unsecured
Affiliates*				
AREIT Fund Managers, Inc. (l)	135,334,155	16,890,957	Noninterest-bearing; On demand	Unsecured
AREIT Property Managers, Inc. (m)	103,783,954	132,382,074	Noninterest-bearing; On demand	Unsecured
North Eastern Commercial Corp. (j)	56,541,580	56,541,580	Noninterest-bearing; On demand	Unsecured
ALO Prime Realty Corporation (n)	3,578,088	3,578,088	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	4,165,217	4,165,217	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	28,176,650	12,294,883	Noninterest-bearing; On demand	Unsecured
Direct Power Services, Inc. (d)	120,647,226	6,013,296	Noninterest-bearing; On demand	Unsecured
CECI Realty Corp. (o)	9,942,712	9,942,712	Noninterest-bearing; On demand	Unsecured
Makati Development Corp. (e)	—	2,019,459	Noninterest-bearing; On demand	Unsecured
Manila Water Company, Inc. (k)	2,051,435	2,051,435	Noninterest-bearing; On demand	Unsecured
Westview Commercial Ventures Corp. (p)	4,728,703	4,728,703	Noninterest-bearing; On demand	Unsecured
Others**			Interest-bearing and noninterest-bearing; On demand	Unsecured
	1,255,266	1,255,266		
		₱299,429,900		

*Entities under common control

**Entities below ₱2.00 million

December 31, 2020				
Category	Volume	Outstanding Balance	Terms	Conditions
Finance lease receivable				
Makati North Hotel Ventures, Inc. (k)	₱162,624,000	₱2,242,581,055	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
Due from related parties				
Parent Company				
Ayala Land, Inc. (a and b)	213,486,694	704,987,832	Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Affiliates*				
Central Block Developers, Inc. (b)	274,478,804	390,088,703	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation (b)	125,222,121	205,762,016	Interest-bearing; On demand	Unsecured; No impairment
Ten Knots Philippines, Inc. (b)	121,237,212	121,237,212	Interest-bearing; On demand	Unsecured; No impairment
Arca South Commercial Ventures Corp. (b)	118,928,479	118,928,479	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings Corporation (b)	68,493,570	117,088,223	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp. (b)	57,403,674	88,744,234	Interest-bearing; On demand	Unsecured; No impairment
ALI Makati Hotel Property, Inc. (b)	77,652,336	77,652,336	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp. (b)	21,900,715	59,689,408	Interest-bearing; On demand	Unsecured; No impairment
Laguna Technopark Inc. (b)	52,641,856	52,641,856	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp (b)	44,908,188	50,596,462	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc. (b)	1,622,649	42,812,127	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation (b)	26,378,532	26,479,453	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc. (b)	25,607,965	25,607,965	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation (b and c)	24,393,442	24,393,442	Interest-bearing; On demand	Unsecured; No impairment

(Forward)



December 31, 2020				
Category	Volume	Outstanding Balance	Terms	Conditions
Bay City Commercial Ventures Corp. (b)	₱22,539,460	₱22,539,460	Interest-bearing; On demand	Unsecured; No impairment
Leisure and Allied Industries Phils. Inc. (b)	20,050,000	20,050,000	Interest-bearing; On demand	Unsecured; No impairment
Sicogon Island Tourism Estate Corp. (b)	18,027,500	18,027,500	Interest-bearing; On demand	Unsecured; No impairment
ALI Commercial Center, Inc. (b)	15,022,155	15,022,155	Interest-bearing; On demand	Unsecured; No impairment
Nuevocentro, Inc. (b)	11,072,450	11,072,450	Interest-bearing; On demand	Unsecured; No impairment
Hillsford Property Corporation (b)	10,009,511	10,009,511	Interest-bearing; On demand	Unsecured; No impairment
Makati North Hotel Ventures, Inc. (k)	8,605,250	8,605,250	Noninterest-bearing; On demand	Unsecured; No impairment
First Gateway Real Estate Corp. (j)	10,524,108	8,432,222	Noninterest-bearing; On demand	Unsecured; No impairment
Sicogon Town Hotel, Inc. (b)	8,014,056	8,014,056	Interest-bearing; On demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc. (b)	4,352,954	4,352,954	Interest-bearing; On demand	Unsecured; No impairment
Airswift Transport, Inc. (b)	2,550,667	2,550,667	Interest-bearing; On demand	Unsecured; No impairment
Ayalaland Malls Synergies, Inc. (b)	518,902	2,507,137	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp. (b)	2,030,502	2,030,502	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp. (b)	1,816,394	1,816,394	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation (b)	561,175	561,175	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc. (b)	119,225	119,225	Interest-bearing; On demand	Unsecured; No impairment
BellaVita Land Corp. (b)	39,830	39,830	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc. (b)	38,382	38,382	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp. (g)	4,661,787	33,114	Noninterest-bearing; On demand	Unsecured; No impairment
Accendo Commercial Corp (b)	11,930	11,930	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp. (b)	150	150	Interest-bearing; On demand	Unsecured; No impairment
		₱4,485,124,867		

*Entities under common control

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

*Entities under common control

**Entities below ₱2.00 million



The following describes the nature of the material transactions of the Company with related parties in 2021, 2020 and 2019:

- (a) ALI handles the lease management and marketing functions including key management personnel services of the Company pre-listing last August 13, 2020 and is entitled to receive a management fee. The Company recognized management fee amounting to ₱13.33 million in 2020 (see Note 17).

The Company entered into contracts of lease with ALI to occupy parcels of land where the Solaris, Teleperformance Cebu, Bacolod Ayala Northpoint and Vertis Offices buildings are located. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱65.72 million, ₱39.04 million and ₱35.98 million in 2021, 2020 and 2019, respectively (see Note 17).

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

On February 1, 2020, ALI transferred the advance rent, security deposits and initial direct cost incurred for existing tenants of MECC property amounting to ₱75.09 million.

Payable amounting to ₱47.57 million as of December 31, 2021 pertain to expenses paid by ALI on behalf of AREIT for The 30th and Vertis offices operations.

- (b) The Company provides interest-bearing loan to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 2.00% to 3.75%, 2.63% to 5.50% and 2.64% to 6.25% per annum in 2021, 2020 and 2019 respectively.

The Company recognized interest income amounting to ₱6.97 million, ₱78.31 million and ₱57.95 million in 2021, 2020 and 2019, respectively (see Note 16).

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

- (c) HLC, a subsidiary of Amorsedia Development, Corporation, leases a land to the Company. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱74.02 million, ₱71.51 million and ₱61.54 million in 2021, 2020 and 2019 respectively (see Note 17).
- (d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred amounted to ₱130.06 million, ₱42.54 million, ₱77.04 million in 2021, 2020 and 2019, respectively of which the remaining payable amounted to ₱6.01 million and ₱3.32 million as of December 31, 2021 and 2020, respectively.
- (e) On December 19, 2006, the Company and Makati Development Corp. (the 'Contractor') signed a construction contract agreement for a specific project. The Company has an outstanding retention payable to the contractor amounting to ₱2.02 million as of December 31, 2021, 2020 and 2019.
- (f) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company prior to its listing in exchange for a fee equivalent to ₱12.00 per square meter of the total gross leasable area of units accepted by tenants subject to an annual escalation of 5% of the immediate succeeding year's rate. Provided, that if during the term, the occupancy rate of the building shall be 85% or above. If below 85%, the actual management fee for any given year shall be subject to approval of the BOD as part of the annual operating maintenance budget



process. In the event no such approval is obtained, the management fee prevailing for the immediately preceding year shall apply. The Company recognized management fees amounting to ₱28.18 million, ₱12.60 million and ₱15.54 million in 2021, 2020 and 2019, respectively (see Note 17).

- (g) Alveo Land Corp., a subsidiary of ALI, is a lessee of the Company. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱4.62 million, ₱4.66 million and ₱4.25 million in 2021, 2020 and 2019, respectively, of which the remaining receivable amounted ₱1.76 million, ₱0.03 million and ₱2.85 million as of December 31, 2021, 2020 and 2019, respectively.
- (h) The Company's intercompany payable to ALOI pertains to outstanding balance of accounting shared services billed on behalf of the Company amounting to ₱4.17 million, ₱4.16 million and ₱2.92 million in 2021, 2020 and 2019 respectively.
- (i) This pertains to the receivable arising from lease agreement with MNHVI (see Note 18). The Company recognized finance lease receivable amounting to ₱2,267.93 million. This includes interest income accretion amounting to ₱151.39 million, ₱150.81 million and ₱46.84 million in 2021, 2020 and 2019, respectively (see Note 17).

The Company also recognized receivable amounting to ₱19.99 million pertaining to payment for land lease on behalf of MNHVI.

- (j) This pertains to the receivable arising from lease agreement with NECC (see Note 18). The Company recognized finance lease receivable amounting to ₱973.16 million as of December 31, 2021. This includes interest income accretion amounting ₱37.16 million for the year ended December 31, 2021 (nil in 2020 and 2019; see Note 16).

NECC, is a lessee of the Company for a space in The 30th Corporate Center. The Company recognized "Rental Income" in the statements of comprehensive income amounting to ₱7.73 million in 2021 (nil in 2020 and 2019).

Payable amounting to ₱56.54 million as of December 31, 2021 pertain to expenses paid by NECC on behalf of AREIT for The 30th and Vertis offices operations.

- (k) The Company's intercompany payable to Manila Water Company, Inc. pertains to outstanding balance of water consumption incurred by the Company amounting to ₱2.05 million, ₱2.06 million and ₱0.86 million in 2021, 2020 and 2019, respectively.

The Company recognized utility services in "Utilities" under "Dues" in the statements of comprehensive income amounting to ₱26.58 million, ₱7.50 million and ₱1.25 million in 2021, 2020 and 2019, respectively (see Note 15).

- (l) AREIT Fund Managers, Inc., a subsidiary of ALI, handles the fund manager functions of the Company starting August 13, 2020, in exchange for a fee computed based on 0.10% of deposited property value plus 3.5% of the earnings before interest, taxes, depreciation, and amortization (EBITDA) before deduction of fees payable to fund manager and property manager and after deducting interest expense on lease liabilities for the period, exclusive of VAT. The Company recognized management fees amounting to ₱135.33 million and ₱37.37 million in 2021 and 2020 (nil 2019, see Notes 17).
- (m) AREIT Property Managers, Inc., a subsidiary of ALI, handles the property management functions of the Company starting August 13, 2020 in exchange for a fee equivalent to 3% of gross rental income and interest income from finance lease per year plus 2% of EBITDA before deduction of fees payable to fund manager and property manager and after deducting interest expense from lease liabilities for the period, provided that such fee shall not exceed 1% of the net asset value of



the properties being managed. The Company recognized management fees amounting to ₱103.78 million and ₱34.54 million in 2021 and 2020, respectively (nil in 2019, see Note 17).

- (n) The Company's payable to ALO Prime Realty Corp. (APRC), a subsidiary of ALI, amounting to ₱3.58 million pertains to over remittance of security deposits from TP Cebu tenants as of December 31, 2021.
- (o) The Company's payable to Ceci Realty Corp. (CECI), a subsidiary of ALI, amounting to ₱9.94 million pertains to electricity of Evotech building as of December 31, 2021.
- (p) The Company's payable to Westview Commercial Ventures Corp. (WVCV), a subsidiary of ALI, amounting to ₱4.73 million pertains to various expenses paid by WVCV in behalf of the Company for Bacolod Ayala Northpoint and Bacolod Capitol building operations as December 31, 2021.

In 2021 and 2020, the Company acquired certain investment properties from various related parties to increase its portfolio of rentable assets (see Note 7).

Cash in bank

The Company has entered into transactions with Bank of the Philippine Islands, an associate of AC, consisting of cash in bank amounting to ₱52.61 million, ₱22.21 million and ₱54.81 million in 2021, 2020 and 2019, respectively (see Note 4). Interest income earned from these deposits amounted to ₱105,180, ₱105,903 and ₱41,175 in 2021, 2020 and 2019, respectively (see Note 17).

Compensation of Key Management Personnel

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

21. Financial Assets and Liabilities

Fair Value Information

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

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Security deposits	₱942,749,081	₱864,953,175	₱383,208,715	₱370,671,041
Long-term debt	2,957,472,367	2,844,051,163	–	–

Fair Value Hierarchy

As of December 31, 2021 and 2020, the Company has no financial instrument measured at fair value. In 2021, 2020 and 2019, 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 and long-term debt is categorized under Level 3 in the fair value hierarchy.



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

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Security deposits	DCF Method	Discount rate	2021: 1.10%-4.69% 2020: 3.14%-4.75% 2019: 0.10%-4.36%	Increase (decrease) in the discount would decrease (increase) the fair value
Long-term debt	DCF Method	Discount rate	2021: 2.67%	Increase (decrease) in the discount would decrease (increase) the fair value

Financial Risk Management Objectives and Policies

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

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

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

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

Prior to Company's listing, ALI's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company. Effective August 13, 2020, AREIT Fund Manager's, Inc. handles fund manager functions of the Company (see Note 20).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's credit risks are primarily attributable to cash, receivables and other financial assets. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis its exposure to credit risks.

Credit risk arising from rental income from leased properties is primarily managed through a tenant selection process. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which helps reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of financial capacity. Except for the trade receivables, the maximum exposure to credit risk of all financial assets is equal to their carrying amounts.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As of December 31, 2021 and 2020, 100% and 70% of the Company's trade receivables are covered by security deposits, respectively. ECL related to trade receivables is minimal given its low credit risk and are generally covered by security deposits. The resulting ECL of ₱12.30 million, ₱14.92 million and ₱7.66 million as of December 31, 2021, 2020 and 2019, respectively.



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

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

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

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

2021				
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱91,968,244	₱-	₱91,968,244	₱-
Receivables				
Finance lease receivable	3,285,820,422	3,377,113,886	-	3,285,820,422
Due from related parties	914,114,901	-	914,114,901	-
Trade receivables	220,680,256	864,953,175	-	220,680,256
Other receivables	858,963	-	858,963	-
Recoverable deposits	12,496,621	-	12,496,621	-
	₱4,525,939,407	₱4,242,067,061	₱1,019,438,729	₱3,506,500,678

2020				
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	₱58,955,047	₱-	₱58,955,047	₱-
Receivables				
Finance lease receivable	2,242,581,055	2,677,510,000	-	2,242,581,055
Due from related parties	2,242,543,812	-	2,242,543,812	-
Trade receivables	97,316,019	360,671,041	-	97,316,019
Other receivables	897,650	-	897,650	-
Recoverable deposits	10,034,460	-	10,034,460	-
	₱4,652,328,043	₱3,038,181,041	₱2,312,430,969	₱2,339,897,074

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

December 31, 2021

	Neither Past Due nor Impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
Finance lease receivable	₱3,285,820,422	₱-	₱-	₱-	₱-	₱-	₱3,285,820,422
Due from related parties	759,585,728	47,717,824	2,881,915	83,770	103,845,664	-	914,114,901
Trade receivables – billed	13,859,505	3,077,162	27,102,252	330,463	138,854,828	37,456,046	220,680,256
Total	₱4,059,265,655	₱50,794,986	₱29,984,167	₱414,233	₱242,700,492	₱37,456,046	₱4,420,615,579



December 31, 2020

	Neither Past Due nor Impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
Finance lease receivable	P2,242,581,055	P-	P-	P-	P-	P-	P2,242,581,055
Due from related parties	378,311,003	334,700	83,995,847	196,017,361	1,583,884,901	-	2,242,543,812
Trade receivables – billed	31,811,441	206,716	12,501,473	6,059,795	31,812,835	14,923,759	97,316,019
Total	P2,652,703,499	P541,416	P96,497,320	P202,077,156	P1,615,697,736	P14,923,759	P4,582,440,886

Liquidity risk

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

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

The Company's cash is maintained at a level that will enable it to fund its operations as well as to have additional funds as buffer for any opportunities or emergencies that may arise. To manage the Company's liquidity, credit line facilities with designated local banks, as approved by the Board of Directors, were obtained. The Company's available credit line with various local banks as of December 31, 2021 is P11.00 billion. The Company may also refinance its short-term and long-term loans and manage its payment terms for its payables..

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

	2021			Total
	< 1 year	1 to 5 years	> 5 years	
Financial assets				
Cash in banks	P91,968,244	P-	P-	P91,968,244
Receivables				
Finance lease receivable	236,172,830	943,485,358	8,465,334,764	9,644,992,952
Due from related parties	2,242,543,812	-	-	2,242,543,812
Trade receivables*	183,224,210	-	-	183,224,210
Recoverable deposits	12,496,621	-	-	12,496,621
	P2,766,405,717	P943,485,358	P8,465,334,764	P12,175,225,839
Financial liabilities				
Accounts and other payables				
Due to related parties	P299,429,900	P-	P-	P299,429,900
Accounts payable	99,045,078	-	-	99,045,078
Accrued expenses	67,422,855	-	-	67,422,855
Retention payable	2,041,577	-	-	2,041,577
Interest payable**	2,207,375	-	-	2,207,375
Short-term debt	890,000,000	-	-	890,000,000
Security deposits	436,882,890	404,393,757	101,472,434	942,749,081
Lease liability	49,853,415	221,433,216	4,135,237,075	4,406,523,706
Construction bonds	58,579,640	-	-	58,579,640
Long-term debt	-	3,000,000,000	-	3,000,000,000
	P1,905,462,730	P3,625,826,973	P4,236,709,509	P9,767,999,212

*net of allowance for expected credit losses

**includes future interest payments



	2020			Total
	< 1 year	1 to 5 years	> 5 years	
Financial assets				
Cash in banks	₱58,955,047	₱—	₱—	₱58,955,047
Receivables				
Finance lease receivable	189,728,000	650,496,000	5,390,029,750	6,230,253,750
Due from related parties	2,242,543,812	—	—	2,242,543,812
Trade receivables*	82,392,260	—	—	82,392,260
Recoverable deposits	10,034,460	—	—	10,034,460
	₱2,583,653,579	₱650,496,000	₱5,390,029,750	₱8,624,179,329
Financial liabilities				
Accounts and other payables				
Due to related parties	₱405,111,433	₱—	₱—	₱405,111,433
Accrued expenses	56,595,899	—	—	56,595,899
Accounts payable	26,949,888	—	—	26,949,888
Retention payable	785,200	—	—	785,200
Security deposits	83,737,432	296,025,357	3,445,926	383,208,715
Lease liability	34,300,129	155,229,735	2,728,277,808	2,917,807,672
	₱607,479,981	₱451,255,092	₱2,731,723,734	₱3,790,458,807

*net of allowance for expected credit losses

22. Earnings Per Share

The Company's earnings per share for the years ended December 31, 2021, 2020 and 2019 were computed as follows:

	2021	2020 (As restated)	2019
Net income	₱2,433,267,040	₱6,264,814,788	₱3,704,339,746
Weighted average number of common shares	1,479,405,605	996,151,230	977,792,435
Basic/Diluted earnings per share	₱1.64	₱6.29	₱3.79

The Company also assessed that there were no potential dilutive common shares in 2021, 2020 and 2019.

23. 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, nine condominium office units and thirteen-building lease operations are its only income-generating activity, and such is the measure used by the Management in allocating resources.

There were revenue transactions with two external customers which accounted for 10% or more of the total revenue amounting to ₱376.67 million and ₱253.04 million for the year ended December 31, 2021, ₱376.59 million and ₱255.97 million for the year ended December 31, 2020 and ₱356.32 million and ₱254.33 million for the year ended December 31, 2019.

Distributable Income under the IRR of REIT Act of 2009

Under the Revised Implementing Rules and Regulations of REIT Act of 2009, section 4c, the Company shall present a computation of its distributable dividend taking into consideration requirements under the provisions of the Act and the Rule. Distributable income is not a measure of performance under the PFRS.



The computation of distributable income as presented to the Management of the Company as at December 31, 2021 and 2020 is shown below:

	2021	2020
Net income	₱2,433,267,040	₱6,264,814,788
Unrealized gains:		
Unrealized gain on fair value change in investment properties	(164,502,279)	(1,424,645,596)
Gain on finance lease	(49,763,675)	-
Distribution adjustments:		
Impact on DTL of fair value accounting	-	(3,387,455,299)
Impact on DTL of listing as a REIT entity	-	(3,293,073)
Distributable Income	₱2,219,001,086	₱1,449,420,820

24. Notes to Statements of Cash Flow

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2021	Cash flows	Non-cash changes	December 31, 2021
Dividends	₱-	(₱1,733,359,375)	₱1,733,359,375	₱-
Short-term debt	-	890,000,000	-	890,000,000
Share issuance cost	-	(35,877,520)	35,877,520	-
Lease liabilities	871,843,943	(37,177,503)	319,314,390	1,153,980,830
Long-term debt	-	2,957,472,367	-	2,957,472,367
Total liabilities from financing activities	₱871,843,943	₱2,041,057,969	2,088,551,285	₱3,847,472,367

	January 1, 2020	Cash flows	Non-cash changes	December 31, 2020
Dividends	₱-	(₱953,860,485)	₱953,860,485	₱-
Issuance of shares	-	1,223,218,423	(1,223,218,423)	-
Lease liabilities	-	(32,796,936)	904,640,879	871,843,943
Total liabilities from financing activities	₱-	₱236,561,002	₱635,282,941	₱871,843,943

	January 1, 2019	Cash flows	Non-cash changes	December 31, 2019
Dividends	₱-	(₱961,297,669)	₱961,297,669	₱-

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

Operating

- Interest expense arising from accretion of security deposit amounting to ₱24.87 million, ₱13.93 million and in ₱12.56 million in 2021, 2020 and 2019 respectively (see Notes 12 and 17).
- Noncash movement in "Receivables" and "Investment properties" arising from lease agreement with NECC amounting to ₱936.00 million and ₱886.24 million, respectively in 2021 (nil in 2020 and 2019; see Notes 7, 18, 20).
- Noncash movement in "Receivables" and "Investment properties" arising from lease agreement with MNVHI amounting to ₱2,221.09 million and ₱1,823.96 million, respectively in 2019 (nil in 2021 and 2020; see Notes 7, 18 and 20).

Investing

- Recognition of right-of-use asset recorded under investment properties and lease liability in 2021 amounting to ₱256.30 million for land lease agreements assigned to the Company under the property-for-share swap agreement for Bacolod Capitol Corporate Center and Evotech One and Two.
- Addition in investment properties amounting to ₱15,415.81 million related to the property-for-share swap agreement with ALI, WCVVC, and GDI in 2021 (See Note 7)



- Increase in fair value of investment properties net of lease commissions amounting to ₱200.14 million ₱1,472.09 million and ₱2,793.61 million in 2021, 2020 and 2019, respectively (See Note 7).

25. Events After the End of the Reporting Period

On February 24, 2022, the Board of Directors of the Company as its regular meeting, approved the declaration of cash dividends of ₱0.47 per outstanding common share for the fourth quarter of 2021. The cash dividends amounting to ₱709.19 million will be payable on March 25, 2022, to stockholders on record as of March 11, 2022.

26. Report on the Supplementary Information Required Under RR 15-2010**Value added tax (VAT)**

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

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

In compliance with the requirements set forth by Revenue Regulations 15-2010 hereunder are the information on taxes and licenses fees paid or accrued during the taxable year 2021

Receipts and output VAT declared in the Company's VAT returns in 2021

	Net Receipts	Output VAT
Taxable receipts	₱958,206,170	₱114,984,740

The Company, in its 2021 VAT declarations, has reported Net Receipts of ₱958,206,170 and output VAT of ₱114,984,740. These amounts arise from the Company's interest income on intercompany loans.

Details of Input VAT follow:

Balance at January 1, 2020	₱515,216,451
Capital Goods not subject for Amortization	304,115
Input tax on depreciable capital good not attributable to any specific activity	310,466,169
Domestic purchases/payments for:	
Domestic purchases of services	128,893,604
Purchase of goods other than capital goods	119,712,714
Total Input VAT	1,074,593,053
Less applied against output VAT	114,984,740
Balance at December 31, 2021	₱959,608,313



Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included in "Taxes and licenses" under "Direct operating expenses" and "General and Administrative expenses" in the statements of comprehensive income. Details of other taxes and licenses in 2021 follow:

<u>Local</u>	
Real property tax	₱164,311,236
Business permit	35,744,622
Community tax	10,500
Others	3,837,809
	<hr/>
	203,904,167
 <u>National</u>	
Fire permit	520,014
BIR annual registration	500
Others	377,000
	<hr/>
	897,514
	<hr/>
	₱204,801,681
	<hr/>

Withholding Taxes

The Company's expanded withholding taxes for the year amounted to ₱56,705,244. Out of which, ₱37,365,781 remain outstanding as part of "Taxes payable" under "Accounts and other payables" as of December 31, 2021.

Taxes on Importation

The Company has not made any importations in 2021.

Excise Tax

The Company has no transaction subject to excise tax in 2021.

Documentary Stamp Tax

The Company paid documentary stamp tax amounted ₱49.37 million for the year ended December 31, 2021 pertaining to lease contracts of various tenants.

Tax Contingencies

The Company did not receive any Letter of Assessment, Preliminary Assessment Notice and Final Tax Assessment before or during 2021, nor it has tax cases under preliminary investigations, litigation, and/or prosecution in courts or bodies outside the administration of the Bureau of Internal Revenue.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated February 24, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez
Partner

CPA Certificate No. 112004

Tax Identification No. 925-713-249

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

SEC Partner Accreditation No. 112004-SEC (Group A)

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

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

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

BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854339, January 3, 2022, Makati City

February 24, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 and have issued our report thereon dated February 24, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez
Partner

CPA Certificate No. 112004

Tax Identification No. 925-713-249

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

SEC Partner Accreditation No. 112004-SEC (Group A)

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

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

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

BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8854339, January 3, 2022, Makati City

February 24, 2021



AREIT, INC.

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex B: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

Annex C: Supplementary Schedules Required by Annex 68-J

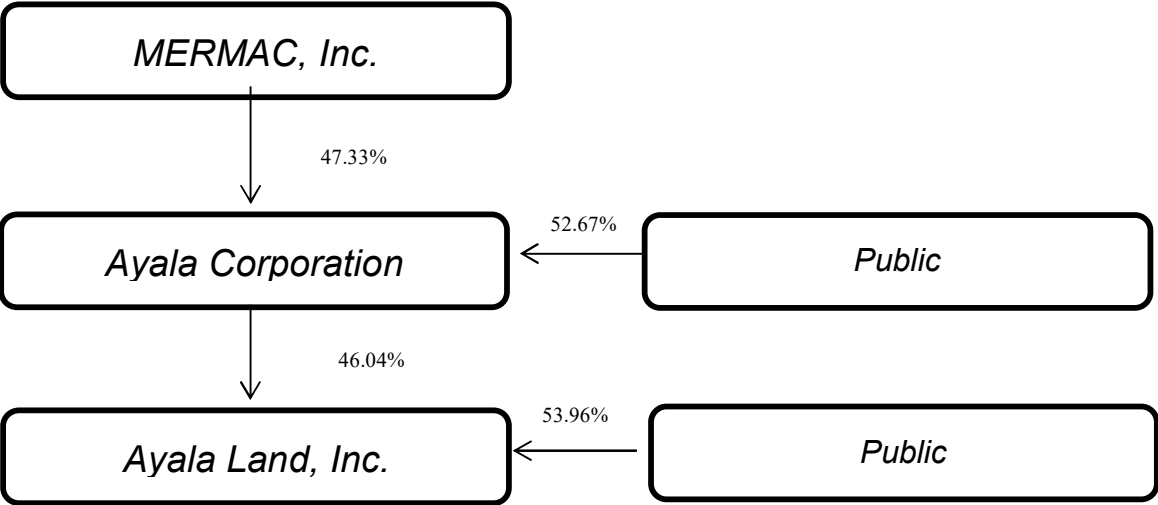
- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
- Schedule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

AREIT, INC.**Reconciliation of Retained Earnings Available for Dividend Declaration
DECEMBER 31, 2021**

Unappropriated Retained Earnings, beginning		₱21,765,499,530
Less: Cumulative Fair Value Adjustment of Investment Properties from its Original Cost		
Restatement adjustment	20,469,371,278	
Accumulated depreciation	(1,082,955,724)	19,386,415,554
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		2,379,083,976
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings		2,433,267,040
Less: Non-actual/unrealized income net of tax		
Fair Value adjustments of Investment Properties resulting to gain adjustment due to deviation from PFRS/GAAP – gain		164,502,279
Gain on finance lease		49,763,675
Net income Actual/Realized		2,219,001,086
Dividend declarations during the year		(1,733,359,375)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱2,864,725,687

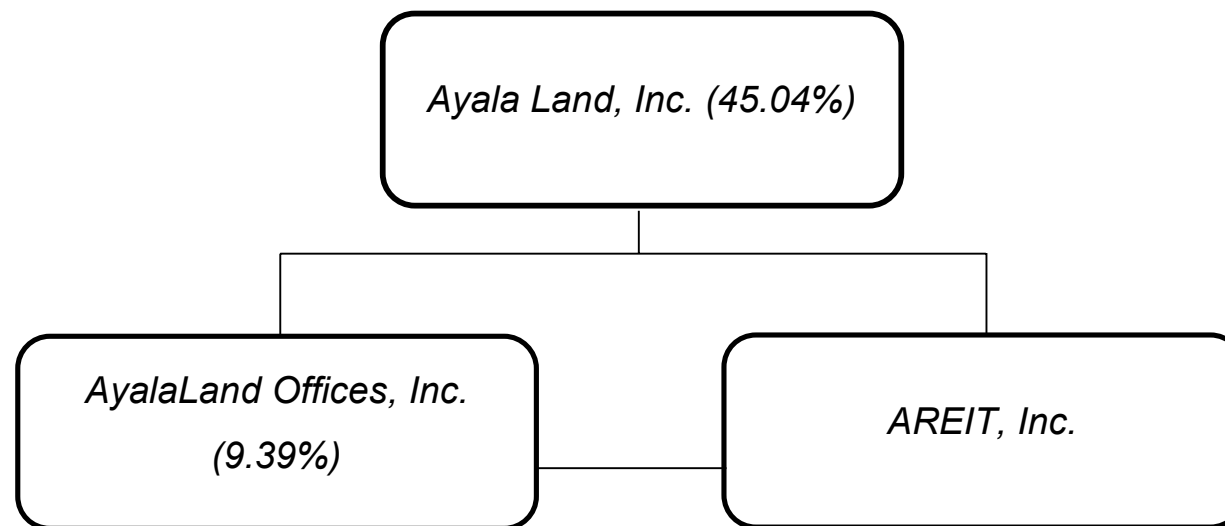


MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2021



AREIT, INC.

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
DECEMBER 31, 2021



AYALA LAND, INC.

Cagayan de Oro Gateway Corp. (70%)

Adauge Commercial Corporation (60%)

Alabang Commercial Corporation (50%)

Ayala Property Management Corp. (100%)

Soltea Commercial Corp. (60%)

Southgateway Development Corp. (100%)

Makati Development Corporation (100%)

Ayala Theatres Management, Inc. & S. (100%)

CMPI Holdings, Inc. (60%)

Ayalaland MetroNorth, Inc. (100%)

Ayala Hotels, Inc. (50%)

DirectPower Services, Inc. (100%)

ALI-CII Development Corporation (50%)

North Triangle Depot Commercial Corp. (73%)

AyalaLand Hotels and Resorts Corp. (100%)

Phil. Integrated Energy Solutions, Inc. (100%)

Roxas Land Corporation (50%)

BGWest Properties, Inc. (50%)

Lagdigan Land Corp. (60%)

Five Star Cinema, Inc. (100%)

Ten Knots Phils, Inc. (60%)

Ten Knots Development, Corp. (60%)

Southportal Properties Inc. (65%)

Leisure and Allied Industries Philippines, Inc. (50%)

ALInet.com, Inc. (100%)

First Longfield Investments Limited (100%)

Aprisa Business Process Solutions, Inc. (100%)

AyalaLand Club Management, Inc. (100%)

Varejo Corp. (100%)

Ayala Land Malls, Inc. (100%)

Verde Golf Development Corporation (100%)

Whiteknight Holdings, Inc. (100%)

ALI Commercial Center Inc. (100%)

Cebu Holdings Inc. (71%)

AREIT, Inc. (54.43%)

SCHEDULE A

AREIT, INC.**SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
DECEMBER 31, 2021**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash			
Cash in banks			
Deutsch Bank	₱50,915,914	₱50,915,914	₱137,149
Bank of Philippine Islands	41,052,330	41,052,330	105,180
	91,968,244	91,968,244	242,329
Receivables			
Related parties	4,199,935,323	4,199,935,323	6,966,317
Third parties	220,680,256	220,680,256	–
Others	858,963	858,963	–
	4,421,474,542	4,421,474,542	6,966,317
	₱4,513,442,786	₱4,513,442,786	₱7,208,646

SCHEDULE B

AREIT, INC.

**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS,
OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN
RELATED PARTIES)
DECEMBER 31, 2021**

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

AREIT, INC.

**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED
PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
DECEMBER 31, 2021

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

AREIT, INC.

**SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2021**

Indebtedness to Related Parties (Long-term Loans from Related Companies)		
Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2021

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

AREIT, INC.

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
DECEMBER 31, 2021

Capital Stock						
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employee s	Others
Common shares	2,950,000,000	1,508,910,810	–	1,508,910,810	13	–

AREIT, INC.**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2021**

Ratio	Formula	2021	2020	2019
Current ratio	Current assets / Current liabilities	0.67	3.55	4.17
Acid test ratio	Quick assets / Current liabilities (Quick assets includes cash and receivables – current portion)	0.63	3.32	3.99
Solvency ratio	Net Income add Depreciation/ Total debt (Total debt includes short-term debt, long-term debt and current portion of long-term debt)	0.63	0.00	0.00
Debt-to-equity ratio	Total debt / Stockholders' equity	0.08	0.00	0.00
Asset-to-equity ratio	Total assets / Stockholders' equity	1.16	1.07	1.17
Interest rate coverage ratio**	EBITDA / Interest expense	14.02	23.63	103.77
Return on equity	Net income / Average total stockholders' equity	5%	19%	N/A*
Return on assets	Net income after tax / Average total assets	6%	21%	N/A*
Net profit margin	Net income / Total revenue	0.73	3.08	2.22

*December 31, 2019 ratio is not presented since the statement of financial position for December 31, 2018 is not part of the financial statements

**EBITDA refers to earnings before interest, taxes, depreciation, amortization and excludes net fair value change in investment properties and nonrecurring gain under finance lease

August 12, 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 Initial Public Offering ("IPO")
of AREIT, Inc. ("AREIT")

Dear Ms. Encarnacion,

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

On August 13, 2020, Ayala Land, Inc. ("ALI") received net proceeds from IPO of AREIT amounting to Eleven Billion Three Hundred Fifty Million Four Hundred Seventy Thousand Five Hundred Pesos (Php11,350,470,500.00).


As of August 12, 2021, ALI already disbursed the total net proceeds amounting to Eleven Billion Three Hundred Fifty Million Four Hundred Seventy Thousand Five Hundred Pesos (Php11,350,470,500.00), in accordance with its Reinvestment plan.


The details of the disbursement are as follows:

IPO Proceeds, Aug 13, 2020	Php12,277,107,900
Less: Purchase of AREIT shares during stabilization period	926,637,400
Net Proceeds	11,350,470,500
Less: Disbursements from Aug 13 to Dec 31, 2020	1,752,000,000
Disbursements from Jan 1 to Aug 12, 2021	9,598,470,500
Balance of IPO Proceeds as of August 12, 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 **AUG 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	
<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.	202
Page No.	41
Book No.	208
Series of	2021

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

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 Report as at **August 12, 2021** on the use of the 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**. 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 Final Report on Use of Proceeds from Initial Public Offering (IPO) (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 checked whether there are additions and disbursements in the schedule and compared with the schedule of application of proceeds.
3. We traced the receipt of the net proceeds to the Bank Statements, Letter of Instruction issued by ALI to BPI Securities Corporation, Buy Confirmation Advice 0206859 issued by BPI Securities Corporation and Sell Confirmation Advice 0126995 issued by BPI Securities Corporation, and noted the following:
 - The Company received ₱4.131 billion in five tranches amounting to ₱826.2 million pesos each on August 13, 2020 from UBS AG Singapore Branch
 - The Company received ₱6.913 billion on August 13, 2020 from BPI Capital
 - The remaining ₱1.234 billion of the proceeds is retained by BPI Capital for the overallotment of shares. Of this amount, ₱926.64 million was used to buy back the shares for the stabilization activity.

We have noted that the Company issued intercompany loans to the companies specified in the Amended Reinvestment Plan to be used in the projects also specified in the plan. We have traced these amounts to the promissory notes and the bank statements and agreed the amounts to the accounting records.

We also traced the amounts of actual disbursements by the Company to the progress billings, invoices and bank statements and agreed the amount to the accounting records. No exceptions noted.

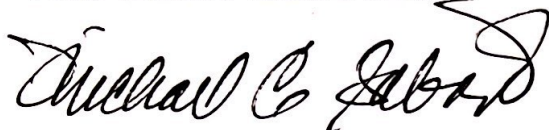
4. We inquired into and identified the nature of the additions and disbursements. We have noted that the Amended Reinvestment Plan dated June 25, 2021 included the proceeds from the sale of Teleperformance Cebu. We also checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of IPO proceeds as documented in the Amended Reinvestment Plan. We have noted that the abovementioned entities and the related 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 **AUG 25 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. 230 ;
Page No. 46 ;
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. 04897
MCLE No VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

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. MARTIREZ-CRUZ
Notary Public - Makati City
Appt. No. M-154 until December 31, 2021
Roll of Attorneys No. 60896
BP No. 136246 - 12/21/2020 - Makati City
TLE No. 8533969ME - 01/04/2021 - Makati City
SECLE 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. 428 ;
Page No. 8 ;
Book No. 108 ;
Series of 2021.

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. 11-66 until 12/31/2021
FIP No. 631632, Jan. 4, 2021 Until Dec. 31, 2021 Makati City
Roll No. 45790, IBP, Lifetime N. 04897
MCLE No VI-0016565 / Jan. 14, 2019
C/F Fedman Suites, 199 Salcedo Street,
Legarpi 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 06 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.: 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
Appl. 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 ₱1.45 billion and out of this amount, ₱1.16 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:

1. 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	₱163,000,000	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
		₱1,058,700,000	

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 ₱101.30 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	₱52,488,805.31
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
	₱101,300,000.00

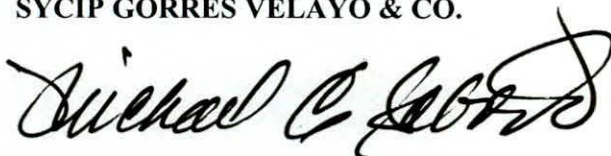
3. There were no additions during the period. Further, we inquired into and identified the nature of the disbursements. We checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of TP Cebu proceeds as documented in the Amended Reinvestment 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. 04897
MCLE No VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

January 28, 2022

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 Tranche Final Report on the Disbursement of Proceeds from the Sale of The 30th Commercial Development ("The 30th") to AREIT, Inc. ("AREIT")

Dear Ms. Encarnacion,

We are pleased to submit the Final Report on the Application of Proceeds for the final tranche from the Sale of The 30th to AREIT, Inc., duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On January 29, 2021, Ayala Land, Inc. ("ALI") received net proceeds from the Sale of The 30th amounting to Three Billion Six Hundred Fifty One Million Four Hundred Seventeen Thousand Eight Hundred Fifty Seven Pesos and Fourteen Centavos (Php3,651,417,857.14).

As of January 28, 2022, ALI already disbursed the total net proceeds amounting to Four Billion Five Hundred Sixty-Four Million Two Hundred Eighty-Five Thousand Seven Hundred Fourteen and Twenty-Eight Centavos (Php4,564,285,714.28), in accordance with its Reinvestment plan.

The details of the disbursement are as follows:

Proceeds from Sale of The 30th, January 15, 2021 (Initial payment)	Php912,867,857.14
Proceeds from Sale of The 30th, January 29, 2021 (Final payment)	3,651,417,857.14
Total Proceeds from Sale of The 30 th	Php4,564,285,714.28
Less: Disbursements from January 16, 2021 to January 28, 2022	4,564,285,714.28
Balance of Proceeds from Sale of The 30 th	0

Thank you.

Very truly yours,



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



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


SUBSCRIBED AND SWORN to before me this JAN 28 2022 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. 357 ;
Page No. 73 ;
Book No. XV ;
Series of 2022 ;

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




MA. FLORENCE THERESA D.G. MARTIREZ-CRUZ
Notary Public - Makati City
Appt. No. M-154 until December 31, 2021
Roll of Attorneys No. 60896
IBP No. 136246 - 12/21/2020 - Makati City
PTR No. MKT8862852 - 01/11/2022 - Makati City
MCLE 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 Final Report as at **January 28, 2022** on the use of the proceeds for the final tranche from the sale of The 30th Commercial Development to AREIT, Inc. received on **January 29, 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 final tranche Final 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 checked whether there are additions and disbursements in the schedule and compared with the schedule of application of proceeds.

3. We traced the receipt of the net proceeds to the Bank Statements, noted the following:
 - The Company received total proceeds approximately ₱4,564 million, exclusive of tax or ₱5,112 million, VAT inclusive.
 - The Company received ₱913 million on January 15, 2021 for the first tranche.
 - The remaining ₱3,651 million exclusive of VAT was received on January 29, 2021 for the final tranche.

We also checked the entry made in the books of the Company. No exceptions noted.

4. 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	833,000,000.00	Parklinks (Mixed-use)
Cebu District Property Enterprise, Inc.	164,024,444.13	Gatewalk Central (Malls & Offices)
Unity Realty & Dev't Corp.	955,000,000.00	Pampanga Property
ALI Commercial Center Inc	943,196,788.50	One Ayala (Malls & BPO)
Amaia Land Corp	77,044,969.15	Cavite Property
Amaia Land Corp	61,000,000.00	Quezon City Property
Accendo Development Corp	119,684,770.86	Avida Towers Abreeza T1
Amaia Land Corp.	36,520,910.68	Amaia Steps Alabang Helena
Avida Land Inc.	335,000,000.00	Mandaluyong Property
Avida Land Inc.	81,628,212.80	Ilagan Property
Avida Land Inc.	67,035,109.47	Laguna Property
Avida Land Inc.	20,034,977.92	Batangas Property
Laguna Technopark Inc	135,000,000.00	Cavite Property
	₱3,828,170,183.51	

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

We also traced the amounts disbursed for the following projects amounting to ₱736 million to the progress billings, invoices and official receipts and agreed the amount to the accounting records. No exceptions noted.

Project Name	Amount
Arbor Lanes 1-5	97,190,715.62
Avida Towers Vireo T1-3	83,762,364.83
Avida Towers Sola T1-2	40,153,422.48
Tarlac Property	427,780,654.18
Orean Place 1	87,228,373.66
	₱736,115,530.77

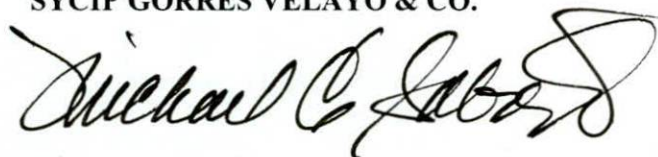
5. We inquired into and identified the nature of the disbursements. We have noted the Amended Reinvestment Plan dated December 22, 2021 included the proceeds from the sale of The 30th Commercial Development to AREIT, Inc. We also checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of 30th proceeds as documented in the Amended 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. 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. 8854360, January 3, 2022, Makati City

ACKNOWLEDGMENT

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

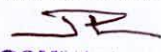
I certify that on **JAN 29 2022**, before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

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. 99 ;
Page No. 21 ;
Book No. 4 ;
Series of 2021. 2022


ATTY. JOSelyn
Notary Public for Makati City
Appointment No. M-19 until 12/31/2023
Roll No. 45790 / IBP Life No. 04897 / 07-03-03
PTR - O.R. No. 8852510 / 01-03-22 / Makati City
MCLE No VI-0016565 / 01-14-19
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

January 15, 2022

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 Fourth 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 Fourth 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 December 31, 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 Fourth Quarter of 2021.

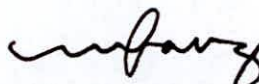
Gross Proceeds from sale of 44 million AREIT Shares as of May 5, 2021, Php	1, 408,000,000.00
Less: Transaction costs	<u>9,813,760.00</u>
Net Proceeds from sale of 44 million AREIT shares	1,398,186,240.00
Less: Disbursement May 5 to December 31, 2021	<u>0.00</u>
Balance of Proceeds from sale of AREIT Share as of December 31, 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

SUBSCRIBED AND SWORN to before me this JAN 17 2022 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

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Page No. 6A ;
Book No. XV ;
Series of 2022 ;


MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ

Notary Public - Makati City
Appt. No. M-154 until December 31, 2021
Roll of Attorneys No. 60896
IBP No. 136246 - 12/21/2020 - Makati City
PTR No. MKT8862852 - 01/11/2022 - Makati City
MCLE 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 Quarterly Progress Report as at **December 31, 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 4th quarter (October to December).

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. 8854360, January 3, 2022, Makati City

ACKNOWLEDGMENT

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


I certify that on 17 JAN 2022 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.

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Book No. 4 ;
Series of 2021. 2022


ATTY. JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-19 until 12/31/2023
Roll No. 45790 / IBP Life No. 04897 / 07-03-03
PTR - O.R. No. 8852510 / 01-03-22 / Makati City
MCLE No VI-0016565 / 01-14-19
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City