

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)

June 30, 2021

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

-

(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2021
2. Commission Identification Number CS200613870
3. BIR Tax Identification No. 006-346-689-000
4. Exact name of issuer as specified in its charter: AREIT, INC.
5. Province, Country or other jurisdiction of incorporation or organization:
Makati City, Philippines
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of issuer's principal office and postal code:
28F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226
8. Issuer's telephone number, including area code: (632) 7908-3804
9. Former name, former address, former fiscal year: Not applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

As of June 30, 2021

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

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

Yes ☒ No ☐

Stock Exchange: Philippine Stock Exchange

Securities listed: Common shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes ☒ No ☐

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

Yes ☒ No ☐

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

AREIT, INC. (Formerly One Dela Rosa Property Development, Inc.)

STATEMENTS OF FINANCIAL POSITION

	June 2021 Unaudited	December 2020 Adjusted
ASSETS		
Current Assets		
Cash (Note 4)	71,085,834	P58,977,547
Receivables (Note 5)	528,397,305	2,373,620,721
Other current assets (Note 6)	400,701,376	281,312,797
Total Current Assets	1,000,184,515	2,713,911,065
Noncurrent Assets		
Noncurrent portion of receivables (Note 5)	2,614,246,562	2,194,794,056
Investment properties	34,811,316,966	29,189,674,985
Property and equipment	231,454	12,053
Other noncurrent assets (Note 6)	1,686,916,465	1,001,662,147
Total Noncurrent Assets	39,112,711,447	32,386,143,241
	P40,112,895,962	P35,100,054,306
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 7)	P449,414,608	P513,927,478
Short-term loans Payable (Note 8)	4,422,500,000	–
Interest Payable (Note 8)	1,782,778	–
Current portion of deposits and other liabilities (Note 9)	291,143,697	129,399,846
Income tax payable	54,444,350	54,444,350
Current portion of lease liability	36,015,135	34,300,129
Construction bonds	–	–
Total Current Liabilities	5,255,300,568	732,071,803
Noncurrent Liabilities		
Deposits and other liabilities - net of current portion (Note 9)	718,693,919	722,693,405
Lease liability- net of current portion	847,028,275	837,543,814
Deferred tax liabilities - net	–	–
Total Noncurrent Liabilities	1,565,722,194	1,560,237,219
Total Liabilities	6,821,022,762	2,292,309,022
Equity (Note 10)		
Paid-up capital	10,929,864,050	10,929,864,050
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	785,681,404	785,681,404
Retained earnings	22,249,627,446	21,765,499,530
Total Equity	33,291,873,200	32,807,745,284
	P40,112,895,962	P35,100,054,306

AREIT, INC. (Formerly One Dela Rosa Property Development, Inc.)**INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

	2021 (Unaudited)		2020 (Unaudited)	
	April 1 to June 30	January 1 to June 30	April 1 to June 30	January 1 to June 30
REVENUE				
Rental income	₱536,276,954	₱1,076,037,132	₱351,670,970	₱707,662,830
Dues	98,488,814	199,681,658	74,855,665	128,199,744
Interest income from finance lease receivables	45,366,761	88,978,313	37,497,499	74,994,998
	680,132,529	1,364,697,103	464,024,134	910,857,572
COSTS AND EXPENSES				
Direct operating expenses	147,496,274	285,947,276	72,160,257	147,118,862
General and administrative expenses	11,640,380	23,043,932	580,160	8,331,449
	159,136,654	308,991,208	72,740,417	155,450,311
OTHER INCOME (CHARGES) - Net				
Gain under finance lease	–	28,309,398	–	–
Interest income	1,341,314	3,926,391	20,514,159	35,132,696
Interest expense	(43,536,355)	(80,879,798)	(4,357,924)	(23,127,030)
Other income	–	–	44,037	3,609,042
Unrealized gain on fair value adjustment	140,346,361	307,873,195	243,580,198	475,824,696
	98,151,320	259,229,186	259,780,470	491,439,404
INCOME BEFORE INCOME TAX	619,147,195	1,314,935,081	651,064,187	1,246,846,665
PROVISION FOR INCOME TAX	8,499	25,453	169,267,243	229,529,837
NET INCOME	619,138,696	1,314,909,628	481,796,944	1,017,316,828
OTHER COMPREHENSIVE INCOME	–	–	–	–
TOTAL COMPREHENSIVE INCOME	₱619,138,696	₱1,314,909,628	₱481,796,944	₱1,017,316,828
Basic/Diluted Earnings Per Share	₱0.60	₱1.28	₱0.49	₱1.04

AREIT, INC. (Formerly One Dela Rosa Property Development, Inc.)**INTERIM STATEMENTS OF CHANGES IN EQUITY**

	Six Months Ended June 30	
	2021	2020
	(Unaudited)	(Unaudited)
PAID-UP CAPITAL		
Common Shares - P10 par value		
Balance at beginning and end of year	P10,929,864,050	P10,451,224,050
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning and end of year	785,681,404	—
TREASURY SHARES		
Balance at beginning and end of year	(673,299,700)	(673,299,700)
RETAINED EARNINGS		
Balance at beginning of year	21,765,499,530	1,022,804,424
Restatement	—	15,431,740,803
Balance at beginning of period, as restated	21,765,499,530	16,454,545,227
Total comprehensive income/Net income	1,314,909,628	1,017,316,828
Cash dividends	(830,781,712)	—
Balance at end of year	22,249,627,446	17,471,862,055
	33,291,873,200	27,249,786,405

AREIT, INC. (Formerly One Dela Rosa Property Development, Inc.)**INTERIM STATEMENTS OF CASH FLOWS**

	Six Months Ended June 30	
	2021	2020
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱1,314,935,081	₱1,246,846,665
Adjustments for:		
Fair value change in investment properties	(307,873,195)	(475,824,696)
Depreciation and amortization	7,805	4,018
Interest expense	80,879,798	23,127,030
Gain under finance lease	(28,309,398)	–
Interest income from finance lease receivables	(88,978,313)	(74,994,998)
Interest income	(3,926,391)	(35,132,696)
Operating income before working capital changes	966,735,387	684,025,323
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	4,705,675	2,196,326,519
Other assets	(804,642,897)	7,768,521
Increase (decrease) in:		
Accounts and other payables	(64,517,662)	156,087,485
Deposits and other liabilities	144,993,614	(29,143,775)
Construction bonds	–	1,748,073
Cash generated from (used in) operations	247,274,117	3,016,812,146
Interest received	3,926,391	35,132,696
Interest paid	(38,060,272)	–
Income tax paid	(25,453)	(117,086,926)
Net cash flows provided by (used in) operating activities	213,114,783	2,934,857,916
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from related parties	1,918,938,726	(2,942,875,821)
Payments for additions to investment properties	(5,694,354,566)	(11,567,399)
Payments for additions to property and equipment	(227,205)	–
Net cash flows provided by (used in) investing activities	(3,775,643,045)	(2,954,443,220)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	4,422,500,000	–
Payments of dividends	(830,781,712)	–
Payments of principal portion of lease liability	(17,081,739)	–
Net cash flows provided by financing activities	3,574,636,549	–
NET INCREASE (DECREASE) IN CASH	12,108,287	(19,585,304)
CASH AT BEGINNING OF PERIOD	58,977,547	122,180,606
CASH AT END OF PERIOD	₱71,085,834	₱102,595,302

AREIT, INC. (Formerly One Dela Rosa Property Development, Inc.)

NOTES TO INTERIM FINANCIAL STATEMENTS

1. Corporate Information

AREIT, Inc., (formerly, One Dela Rosa Property Development, Inc.) (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2006 with a corporate life of 50 years. On September 26, 2018, the Company amended its Articles of Incorporation to engage in the business of a real estate investment trust (REIT), as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), and its implementing rules and regulations (the REIT Act). The Company was organized primarily to engage in the business which includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, whether freehold or leasehold, within or outside the Philippines with or to such persons and entities and under such terms and conditions as may be permitted by law; (2) to invest in, purchase, acquire own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real estate and managed funds; (3) to receive, collect and dispose of the rent, interest, dividends and income rising from its property and investments; and (4) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient or incidental to or implied from the purposes herein mentioned. On April 12, 2019, the Company changed its name to AyalaLand REIT, Inc., and further amended its name to AREIT, Inc. on June 28, 2019.

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

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

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

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

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

2. Basis of Financial Statement Preparation

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

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited financial statements. Actual results could differ from such estimates.

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

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

3. Summary of Significant Accounting Policies

Basis of Preparation

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

The financial statements of the Company 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.

Change to Fair Value Model

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

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

Changes in Accounting Policies and Disclosures

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

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

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2021

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

Effective beginning on or after January 1, 2022

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

4. Cash

This account consists of:

	As of June 30, 2021	As of December 31, 2020
Cash on hand	₱22,500	₱22,500
Cash in banks	71,063,334	58,955,047
	71,085,834	₱58,977,547

Cash in banks earn interest from the respective bank deposit rates which range from 0.35% to 0.45% in 2021 and 2020. Interest income earned from cash in banks amounted to ₱0.04 million and ₱0.08 million for the three months ended June 30, 2021 and 2020, respectively, and ₱0.13 million and ₱0.21 million for the six months ended June 30, 2021 and 2020, respectively.

5. Receivables

This account consists of:

	As of June 30, 2021	As of December 31, 2020
Finance lease receivable	₱2,697,346,684	₱2,242,581,055
Due from related parties	323,605,086	2,242,543,812
Trade receivables		
Accrued rent	—	—
Billed	136,075,851	97,316,019
Other receivables	540,005	897,650
	3,157,567,626	4,583,338,536
Less allowance for credit losses	14,923,759	14,923,759
	3,142,643,867	4,568,414,777
Less noncurrent portion of finance lease receivable	2,614,246,562	2,194,794,056
	₱528,397,305	₱2,373,620,721

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

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

As of June 30, 2021, (unaudited) aging of analysis of past due but not impaired trade receivables presents per class as follow:

	Neither Past Due nor Impaired	Past Due but not impaired					Total	Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days			
Due from related parties	P323,605,086	P-	P-	P-	P-	P-	P-	P-	P323,605,086
Finance lease receivable	2,697,346,684	-	-	-	-	-	-	-	2,697,346,684
Trade receivables									
Accrued rent	-	-	-	-	-	-	-	-	-
Billed	-	13,581,277	7,716,990	29,662,363	51,943,713	18,247,749	121,152,092	14,923,759	136,075,851
Others	540,005	-	-	-	-	-	-	-	540,005
Total	P3,021,491,774	P13,581,277	P7,716,990	P29,662,363	P51,943,713	P18,247,749	P121,152,092	P14,923,759	P3,157,567,626

The movements in allowance for credit losses follows:

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

6. Other Assets

Other Current Assets

This account consists of:

	As of June 30, 2021	As of December 31, 2020
Input VAT	P160,681,142	P158,306,544
Creditable withholding taxes	147,146,098	112,971,793
Prepaid expenses	82,839,676	–
Recoverable deposits	10,034,460	10,034,460
	P400,701,376	P281,312,797

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

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

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

Recoverable deposits pertain to various utility deposits.

Other Noncurrent Assets

This account consists of:

	As of June 30, 2021	As of December 31, 2020
Deferred input VAT	P1,023,401,632	P614,857,354
Input VAT	658,827,671	386,349,436
Advances to contractors	4,687,162	455,357
	P1,686,916,465	P1,001,662,147

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding P1.00 million per transaction which is available for offset against the Company's future output VAT.

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

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

7. Accounts and Other Payables

This account consists of:

	As of June 30, 2021	As of December 31, 2020
Due to related parties	P298,963,900	P405,111,433
Accrued expenses		
Repairs and maintenance	21,344,597	14,331,615
Rent	9,068,349	12,654,660
Light and water	24,027,979	10,770,650
Others	40,078,065	18,838,974
Taxes payable	33,092,424	24,485,058
Accounts payable	21,575,903	26,949,888
Retention payable	1,263,391	785,200
	P449,414,608	P513,927,478

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

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

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

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

8. Short-term loans and interest payable

The loans payable amounting to P4,422.50 million and nil as of June 30, 2021 and December 31, 2020, respectively, pertains to short-term, unsecured and interest bearing 30-day term loans entered by the Company with different local banks with average interest rate of 2%.

Interest expense recognized in the statement of comprehensive income for the six months ended June 30, 2021 amounted to P22.90 million and P39.84 million, respectively. The remaining interest payable amounted to P1.78 million as of June 30, 2021.

9. Deposits and Other Liabilities

This account consists of:

	As of June 30, 2021	As of December 31, 2020
Advance rentals	P468,372,641	P406,952,127
Security deposits	482,579,247	383,208,715
Deferred credits	58,885,728	61,932,409
	1,009,837,616	852,093,251
Less current portion	291,143,697	129,399,846
	P718,693,919	P722,693,405

The current portion of these accounts follows:

	As of June 30, 2021	As of December 31, 2020
Security deposits	P121,901,337	P83,737,432
Advance rentals	167,527,203	45,536,484
Deferred credits	1,715,157	125,930
	P291,143,697	P129,399,846

Advance rentals

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

Security deposits

Security deposits represent deposits from lessees to secure 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.

10. Equity

Capital stock

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

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

The changes in the number of shares follow:

	June 30, 2021 Common	December 31, 2020 Common
Authorized number of shares		
Balance at beginning and end of period at P1 par value	1,174,000,000	1,174,000,000
Issued shares		
Balance at beginning and end of period	1,092,986,405	1,045,122,405
Issuance of new shares (a)	-	47,864,000
Balance at end of period	1,092,986,405	1,092,986,405
Treasury shares		
Balance at beginning and end of period	(67,329,970)	(67,329,970)
Outstanding	1,025,656,435	1,025,656,435

- On June 23, 2020, the Company's Board of Directors (BOD) approved the offer and sale of 47,864,000 common shares out of the unissued portions of the authorized capital stock for initial public offering at an offer price of P27.00 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)

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.

Declaration and Payment of Cash Dividends

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

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

On February 24, 2021, the Company's BOD approved the declaration of cash dividends for fourth quarter of 2020 amounting to ₱0.39 per outstanding common share to stockholders on record date as of March 15, 2021. 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. 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. The cash dividend will be paid on September 10, 2021 to stockholders.

Distributable Income

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

	June 30, 2021
Net income	₱1,314,909,628
Add (Less): Unrealized gain on fair value change in investment properties	(307,873,195)
Gain on finance lease	(28,309,398)
Distribution adjustments	-
Distributable Income	₱978,727,035

Distribution adjustments pertains to the recognized deferred tax asset that reduced the amount of income tax expense and increased the net income during the year.

11. 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 includes affiliates.

Terms and Conditions of Transactions with Related Parties

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

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

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

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

June 30, 2021				
Category	Value	Outstanding Balance	Terms	Conditions
Ayala Property Management Corporation	197,201	758,376	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter Inc.	P24,950,003	P657,962	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corporation	25,841,449	537,083	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp.	21,452,637	448,078	Interest-bearing; On demand	Unsecured; No impairment
Laguna Technopark Inc.	52,243,886	397,970	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc.	–	119,225	Interest-bearing; On demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc.	4,291,375	61,579	Interest-bearing; On demand	Unsecured; No impairment
ALI Commercial Center, Inc.	14,970,239	51,916	Interest-bearing; On demand	Unsecured; No impairment
BellaVita Land Corp.	–	39,830	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc.	–	38,382	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc.	390,085,003	3,700	Interest-bearing; On demand	Unsecured; No impairment
North Triangle Depot Commercial Corp	985	985	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp.	–	150	Interest-bearing; On demand	Unsecured; No impairment
	P	P323,605,086		

June 30, 2021				
Category	Value	Outstanding Balance	Terms	Conditions
Due to related parties				
Parent Company				
Ayala Land, Inc.	P17,081,739	P17,081,739	Noninterest-bearing; Due and demandable	Unsecured
Affiliates*				
AREIT Fund Managers, Inc.	114,683,617	152,056,741	Noninterest-bearing; On demand	Unsecured
AREIT Property Managers, Inc.	76,609,020	76,609,020	Noninterest-bearing; On demand	Unsecured
HLC Development Corporation	8,147,778	21,920,988	Noninterest-bearing; On demand	Unsecured
Direct Power Services, Inc.	16,147,290	12,830,226	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp.	7,416,455	7,416,455	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc.	–	4,157,942	Noninterest-bearing; On demand	Unsecured
North Eastern Commercial Corp.	3,783,479	3,783,479	Noninterest-bearing; On demand	Unsecured
Makati Development Corp.	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Others**	1,087,851	1,087,851	Interest-bearing and noninterest-bearing; On demand	Unsecured
	P	P298,963,900		

*Entities under common control

**Entities below P2.00 million

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

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

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

*Entities under common control

**Entities below P2.00 million

12. 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.

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.

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.

Fair Value Information

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

	As of June 30, 2021		As of December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Security deposits	P482,579,247	P503,097,749	P383,208,715	P370,671,041

13. Fair Value Hierarchy

As of June 30, 2021, and December 31, 2020, the Company has no financial instrument measured at fair value. In 2020, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

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

14. Notes to Interim Statements of Cash Flow

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

Operating

- Interest income from finance lease amounting to P88.98 million and P74.99 million for six months ended June 30, 2021 and 2020.
- Interest expense arising from accretion of security deposit amounting to P12.75 million for six months ended June 30, 2021.
- Noncash movement in "Receivables" amounting to P418.28 million and gain from finance lease receivable amounting to P28.31 million arising from lease agreement with NECC in 2021 (nil in 2020).

Investing

- Noncash movement in “Investment Properties” amounting to P389.97 million arising from lease agreement with NECC in 2021.

Financing

- Interest expense pertaining to the accretion of interest related to lease liabilities amounting to P28.28 million and P23.13 million for six months ended June 30, 2021 and 2020.

15. Segment Reporting

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

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

16. Events After Financial Reporting Date

On August 12, 2021, the Board of Directors of AREIT at its meeting approved the following items:

- The declaration of cash dividends of Php0.44 per outstanding common share for the second quarter of 2021. The cash dividends will be payable on September 10, 2021 to stockholders of record as of August 26, 2021.
- The appointment of the following as endorsed by our Corporate Governance and Nomination Committee:
 - Ms. Ma. Teresa R. Famy as our Treasurer effective immediately. Ms. Famy is also our Chief Finance Officer and Chief Compliance Officer.
 - Mr. Simeon S. Cua, one of our Independent Directors, as the Chairman of the Sustainability Committee replacing Ms. Carol T. Mills. Ms. Mills will remain to be a member of our Sustainability Committee who will replace Ms. Elaine Marie F. Alzona.
- The adoption of the Sustainability Committee Charter.

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

Review of 1H 2021 operations vs 1H 2020

AREIT, Inc. (AREIT or "the Company") net income after tax increased by 29% from ₱1,017.32 million in 2020 to ₱1,314.91 million in 2021. The increase was primarily driven by the operations of The 30th commercial development and Laguna Technopark lots, which were acquired by the Company last January 2021.

Revenues

Total revenues increased by 50% from ₱910.86 million in 2020 to ₱1,364.70 million in 2021. This was mainly driven by higher rental income and net dues.

Rental Income increased by 52% from ₱707.66 million in 2020 to ₱1,076.04 million in 2021. The increase was primarily attributable to the addition of The 30th commercial development and Laguna Technopark lots and from the full operations of McKinley Exchange Corporate Center and Teleperformance Cebu, which were added to the Company's portfolio in February and October 2020, respectively.

Dues increased by 56% from ₱128.20 million in 2020 to ₱199.68 million in 2021. The increase was attributable to the operations of new assets in acquired in 2021 as well from the full year effect of assets acquired in 2020.

Interest income from finance lease, 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 lease of North Eastern Commercial Corp with the Company, which commenced in January 2021. The Company recognized interest income from finance lease amounting to ₱74.99 million and ₱88.98 million in June 30, 2021 and 2020, respectively.

Cost and Expenses

Direct operating expenses increased by 94% from ₱147.12 million in 2020 to ₱285.95 million in 2021. The increase was primarily attributable to an increase in management fee of ₱97.92 million, an increase in land lease of ₱21.11 million and an increase in taxes and licenses of ₱18.53 million. These increases were related to the operations of The 30th commercial development, McKinley Exchange Corporate Center and Teleperformance Cebu.

General and administrative expenses increased by 177%, mainly due to documentary stamp tax paid for loans.

Other Income (charges)

Gain under finance lease amounted to ₱28.31 million in 2021. In January 2021, our Company entered into a long-term building lease agreement with North Eastern Commercial Corp. for the lease of retail podium of The30th development. North Eastern Commercial Corp. is wholly owned by Ayala Land, Inc. The Company classified the agreement as a finance lease. Our Company remains to be the legal owner of the portion of the building under finance lease.

Interest Income decreased by 89% from ₱35.13 million in 2020 to ₱3.93 million in 2021. The decrease was mainly due to the decrease in interest income from intercompany loans from ₱34.92 million in 2020 to ₱3.80 million in 2021.

Interest expense increased by 250% from ₱23.13 million in 2020 to ₱80.88 million in 2021. The increase was primarily attributable to the recognition of interest expense on loans amounting to ₱39.85 million in 2021 and interest expense from finance lease amounting to ₱28.28 million and ₱23.13 million in June 30, 2021 and 2020.

Provision for Income Tax

Provision for income tax significantly decreased by 100% from ₱229.53 million in 2020 to ₱0.03 million in 2021. The decrease was mainly due to zero net taxable income.

Capital Expenditure

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

Property Performance (as of June 30, 2021)

	Solaris	Ayala North Exchange	MECC	TP Cebu	The30th	Laguna Technopark Land
Location	Makati	Makati	Makati	Cebu	Pasig	Laguna
Acquisition cost (in millions)	₱1,767 M	₱6,913 M	n/a	₱1,450 M	₱4,564 M	₱988 M
Valuation cost (in millions)	₱12,170 M	₱13,656 M	₱1,940 M	₱2,510 M	₱4,643 M	₱1,087 M
Occupancy rates	100%	98%	99%	100%	99%	100%
WALE (years)	4	13	2	6	4	7
Remaining Land lease term	27	37	33	30	35	n/a
Revenue Contribution in 1H 2021	28%	37%	5%	8%	20%	3%
Cost contribution in 1H 2021	26%	48%	2%	5%	18%	1%

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

	Solaris	Ayala North Exchange	MECC	TP Cebu	The30th	Laguna Technopark Land	Total
Rental Income	₱291 M	₱460 M*	₱58 M	₱85 M	₱234 M*	₱37 M	₱1,165 M
Gross Revenues	₱382 M	₱501 M	₱67 M	₱105 M	₱273 M	₱37 M	₱1,365 M
	28%	37%	5%	8%	20%	3%	
DOE	₱75 M	₱137 M	₱6 M	₱14 M	₱52 M	₱2.1 M	₱286 M
Depreciation	-	-	-	-	-	-	-
Total DOE & Depreciation	₱75 M	₱137 M	₱6 M	₱14 M	₱52 M	₱2.1 M	₱286 M
	26%	48%	2%	5%	18%	1%	

*Rental income plus interest income from finance lease

Summary of Real Estate transactions for 1H 2021

On January 5, 2021, AREIT entered into a Deed of Absolute Sale with Technopark Land, Inc., a subsidiary of Ayala Corporation, to acquire 98 thousand square meters of land for Php1.1 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 15 Jan 2021, AREIT entered into a Deed of Sale with Ayala Land Inc. for the acquisition of The 30th Commercial Development for Php5.1 billion (VAT inclusive). The price was derived from a third-

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

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

Balance Sheet items- June 2021 versus December 2020

Cash increased by 21% primarily due to net increase in cash during the period.

Receivables decreased by 31% mainly due to termination of intercompany lending's.

Other current assets increased by 42% due to higher input VAT, creditable withholding taxes and prepaid expenses.

Investment properties up by 19% due to the acquisition of the 30th commercial development and parcels of land in Laguna Technopark and change in fair value of investment properties.

Other noncurrent assets increased by 68% due to higher deferred input VAT.

Accounts and other payables decreased by 16% due to decrease in due to related parties, primarily for fund and property management fees and accrued expenses.

Current portion of deposits and other liabilities increased by 125% due to increase in security deposit and advance rent.

Financial Condition

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

Total current assets, including cash, current portion of receivable, input VAT, creditable withholding tax, prepaid expenses and recoverable deposits stood at P1.00 billion resulting in a current ratio of 0.19:1.

Total borrowings registered at P4.42 billion which translated to a debt-to-equity ratio of 0.13:1 and a net debt-to-equity ratio of 0.13:1.

Return on equity was at 8% as of June 30, 2021.

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

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

PART II- OTHER INFORMATION

Item 3. Developments as of June 30, 2021

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

- | | |
|--|------|
| H. Other information, material events or happenings that may have affected or may affect market price of security | None |
| I. Transferring of assets, except in normal course of business | None |

Item 4. Other Notes to 2Q 2021 Operations and Financials

- | | |
|--|--|
| J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents | Please see Item 2: Management's Discussion on Results of Operations and Analysis. |
| K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period | Please see page 21: Causes for any material changes (+/- 5% or more) in the financial statements |
| L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities | None |
| M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period | <p>On August 12, 2021, the Board of Directors of AREIT at its meeting approved the following items:</p> <ul style="list-style-type: none"> • The declaration of cash dividends of Php0.44 per outstanding common share for the second quarter of 2021. The cash dividends will be payable on September 10, 2021 to stockholders of record as of August 26, 2021. • The appointment of the following as endorsed by our Corporate Governance and Nomination Committee: <ul style="list-style-type: none"> ○ Ms. Ma. Teresa R. Famy as our Treasurer effective immediately. Ms. Famy is also our Chief Finance Officer and Chief Compliance Officer. ○ Mr. Simeon S. Cua, one of our Independent Directors, as the Chairman of the Sustainability Committee replacing Ms. Carol T. Mills. Ms. Mills will remain to be a member of our Sustainability Committee who will replace Ms. Elaine Marie F. Alzona. • The adoption of the Sustainability Committee Charter. |

- | | |
|--|---|
| <p>N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations</p> | <p>None</p> |
| <p>O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date</p> | <p>None</p> |
| <p>P. Other material events or transactions during the interim period</p> | <p>On April 23, 2021, the stockholders of AREIT, Inc. at its Annual Stockholders' Meeting considered and approved the following items:</p> <ul style="list-style-type: none"> • Minutes of the previous meeting • Annual report for calendar year (CY) 2020 including the Audited Financial Statements for the CY December 31, 2020 • Ratification of the acts and resolutions of the Board of Directors and Management during the preceding year • Approval of the amendment to the Sixth Article of the Articles of Incorporation to increase the number of directors from seven (7) to eight (8) • Approval of the increase of Authorized Capital Stock from Php11,740,000,000.00 to Php29,500,000,000.00, and the corresponding amendment of the Seventh Article of the Articles of Incorporation • Approval of the issuance of common shares in exchange for properties • Approval of the delegation of authority to amend, repeal or adopt new By-Laws to the Board of Directors • Election of the directors (including Independent Directors) • Election of SyCip Gorres Velayo & Co. as our external auditor for the year 2021 and fixing of its remuneration <p>On April 23, 2021 at its Special Stockholders' Meeting held immediately after its annual meeting, the majority of the minority stockholders represented in the meeting considered and approved the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc., and its subsidiaries, Westview Commercial Ventures Corp., and Glensworth Development, Inc.</p> <p>On May 26, 2021, the Board of Directors of AREIT at its meeting approved the following items:</p> <ul style="list-style-type: none"> • The declaration of cash dividends of Php0.42 per outstanding common share for the first quarter of |

2021. The cash dividends will be payable on June 25, 2021 to stockholders of record as of June 11, 2021.

- The appointment of Ms. Ma. Teresa R. Famy as Chief Finance Officer (CFO) and Chief Compliance Officer to replace Ms. Elaine Marie F. Alzona effective July 1, 2021, as endorsed by our Corporate Governance and Nomination Committee.
- The Charter of our Board of Directors and the Corporate Governance and Nomination Committee Charter as recommended under the Code of Corporate Governance for Publicly-listed Companies.

On June 8, 2021, AREIT and Ayala Land, Inc. (ALI) and its subsidiaries, Westview Commercial Ventures Corp. (WCVC) and Glensworth Development, Inc. (GDI), executed the Deed of Exchange with AREIT, Inc. (AREIT) on the property-for-share swap transaction.

On June 14, 2021, AREIT received a letter from the Bureau of Internal Revenue (BIR) approving the change of its accounting method used in valuing investment properties from cost method to fair value method, to reflect the market value of its properties and align with financial reporting practices of REITs. The change is effective as of January 1, 2021. The BIR's approval is granted so long as AREIT complies with the provisions of Revenue Regulation No. 8-2007.

On June 25, 2021, an amendment to the Reinvestment Plan (Plan) for the proceeds of AREIT's initial public offering and the acquisition of Teleperformance Cebu was submitted to the SEC and PSE. From the original plan of 16 projects, the revised Plan now covers 31 income-generating projects.

Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

None

R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period

None

S. Material commitments for capital expenditures, general purpose and expected sources of funds

None

T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations	AREIT's performance will be dependent on the state of the Philippine Office Sector.
U. Significant elements of income or loss that did not arise from continuing operations	None
V. Causes for any material change/s from period to period, in one, or more line items of the financial statements	Please see Notes to Financial Statements (Item 2: Management's Discussion on Results of Operations and Analysis).
W. Seasonal aspects that had material effect on the financial condition or results of operations	None
X. Disclosures not made under SEC Form 17-C	None.

Item 5. Performance Indicators

The table below shows AREIT's performance indicators:

	End-June 2021	End-December 2020
Current ratio ¹	0.19:1	3.71:1
Debt-to-equity ratio ²	0.13:1	—
Net debt-to-equity ratio ³	0.13:1	—
Profitability Ratios:		
Return on assets ⁴	7%	9%
Return on equity ⁵	8%	11%
Asset to Equity ratio ⁶	1.20:1	1.19:1

Notes:

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

SIGNATURE

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

Issuer: **AREIT, INC.**

By:



MA. TERESA R. FAMY

Chief Finance Officer and Chief Compliance Officer

Date: August 13, 2021

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 _____ 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

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

July 15, 2021

THE PHILIPPINE STOCK EXCHANGE

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

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

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

Dear Ms. Encarnacion,

We are pleased to submit our Progress Report on the Application of Proceeds for the Second 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 June 30, 2021 the remaining balance of the proceeds from the AREIT IPO and Sale of Teleperformance Cebu amounts to Eight Billion Seven Hundred Three Million Three Hundred Seventy Thousand Two Hundred Five Pesos and Twenty-One Centavos (Php8,703,370,205.21).

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

Balance of IPO Proceeds as of March 31, 2021	Php	9,251,470,500.48
Proceeds from Sale of Teleperformance Cebu		<u>1,450,000,000.00</u>
Total Balance of Proceeds		10,701,470,500.48
Less: Disbursements from April 1 to June 30 (Annex A)		1,926,528,687.85
Additional disbursements from Jan 1 to Mar 31 (Annex B)		<u>71,571,607.42</u>
Balance of IPO Proceeds as of June 30, 2021	Php	<u><u>8,703,370,205.21</u></u>

Thank you.

Very truly yours,


Ma. Luisa D. Chiong
Ayala Land, Inc.
Attorney-in-fact


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

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

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i>		
Ma. Luisa D. Chiong	Passport No. P6354499B	22 Feb 2021 / 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. 43 ;
Page No. 16 ;
Book No. 7V ;
Series of 2021 ;

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
IBP No. 136246 - 12/21/2020 - Makati City
PTR No. 8533969ME - 01/04/2021 - Makati City
MCLE Compliance No. VI - 0909482 - 06/20/2018
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

ANNEX A- Disbursements from April 1 to June 30, 2021

Disbursing Entity	Project Name	Amount
Primavera Town Center Inc.	Evo City	6,720,000.00
Cavite Commercial Town Center Inc	Vermosa	5,000,000.00
ALI Commercial Center Inc	One Ayala	135,000,000.00
ALI Commercial Center Inc	One Ayala	116,000,000.00
ALI Commercial Center Inc	One Ayala	229,000,000.00
Cavite Commercial Town Center Inc	Vermosa	133,000,000.00
Primavera Town Center Inc.	Evo City	3,200,000.00
ALI Commercial Center Inc	One Ayala	110,000,000.00
ALI Commercial Center Inc	One Ayala	247,000,000.00
ALI Triangle Hotel Ventures Inc.	ATG Mandarin Hotel	49,000,000.00
North Triangle Depot Commercial Corp.	Trinoma Expansion	55,000,000.00
ALI Commercial Center Inc	One Ayala	480,000,000.00
ALI Triangle Hotel Ventures Inc.	Mandarin Oriental	119,000,000.00
Ayala Land Inc	ATG Office	238,608,687.85
TOTAL		1,926,528,687.85

ANNEX B- Additional Disbursements from Jan 1 to March 31, 2021

Disbursing Entity	Project Name	Amount
Ayala Land Inc	ATG Office	71,571,607.42

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 **June 30, 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** and proceeds from the Sale of Teleperformance Cebu to AREIT. 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 Initial Public Offering (IPO) and Sale of Teleperformance Cebu (the "Schedule") and perform the following:
 - Check the mathematical accuracy of the Schedule;
 - Check whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds;
 - On a sample basis, trace additions and disbursements to the supporting documents such as progress billings, bank statements, invoices, and official receipts, and agree the amount to the accounting records.
 - On a sample basis, inquire into and identify the nature of the additions and disbursements. Check if the disbursements were classified consistently according to its nature based on the schedule of planned use of IPO proceeds.

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We checked whether there are additions and disbursements in the schedule and compared with the schedule of application of proceeds;
3. We traced to the Deed of Absolute Sale, Official Receipt and Bank Statements the additions pertaining to the sale of the Teleperformance Cebu to AREIT.

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

Distributing Entity	Start Date	Amount	Project Name
Primavera Town Center Inc.	4/8/2021	6,720,000	Evo City
Cavite Commercial Town Center, Inc	4/19/2021	5,000,000	Vermosa
ALI Commercial Center, Inc	4/21/2021	135,000,000	One Ayala
ALI Commercial Center, Inc	4/23/2021	116,000,000	One Ayala
ALI Commercial Center, Inc	4/27/2021	229,000,000	One Ayala
Cavite Commercial Town Center, Inc	5/3/2021	133,000,000	Vermosa
Primavera Town Center, Inc.	5/4/2021	3,200,000	Evo City
ALI Commercial Center, Inc	5/24/2021	110,000,000	One Ayala
ALI Commercial Center, Inc	5/26/2021	247,000,000	One Ayala
ALI Triangle Hotel Ventures, Inc.	5/31/2021	49,000,000	ATG Mandarin Hotel
North Triangle Depot Commercial Corp.	6/7/2021	55,000,000	Trinoma Expansion
ALI Commercial Center, Inc	6/23/2021	480,000,000	One Ayala
ALI Triangle Hotel Ventures, Inc.	6/30/2021	119,000,000	Mandarin Oriental
		₱1,687,920,000	

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 disbursed by the Company during the period for the ATG Office Project amounting to ₱238.61 million to the progress billings, invoices and bank statements and agreed the amount to the accounting records. No exceptions noted.

We also traced the amounts of additional disbursements by the Company from January 1 to March 31, 2021 for the ATG Office Project amounting to ₱71.57 million to the progress billings, invoices and bank statements and agreed the amount to the accounting records. No exceptions noted.

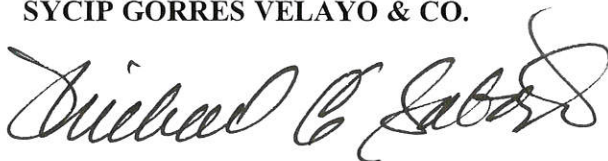
4. We inquired into and identified the nature of the additions and disbursements. We have noted that the Amended Reinvestment Plan dated June 25, 2021 included the proceeds from the sale of Teleperformance Cebu. We also checked if the disbursements were classified consistently according to its nature 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 15 July 2021, before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

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

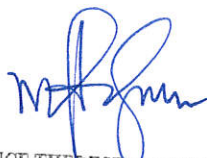
who were identified by me through competent evidence of identity to be the same person described in the foregoing instrument, who acknowledged before me that their signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed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

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

Doc. No. 75;
Page No. 16;
Book No. xv;
Series of 2021.

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
IBP No. 136246 - 12/21/2020 - Makati City
PTR No. 8533969ME - 01/04/2021 - Makati City
MCLE Compliance No. VI-0009482 - 06/20/2018
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

July 15, 2021

THE PHILIPPINE STOCK EXCHANGE

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

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

Subject: 2021 Second Quarter Progress Report on the Disbursement of Proceeds from the
sale of The30th Commercial Development to AREIT, Inc.

Dear Ms. Encarnacion,

We are pleased to submit our Progress Report on the Application of Proceeds for the Second 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 June 30, 2021 the remaining balance of the proceeds from the sale of The30th Commercial development to AREIT, Inc., amounts to Four Billion Three Hundred Eighty-Five Million Seven Hundred Eighty Seven Thousand Nine Hundred Seventy Pesos and Thirty Nine Centavos (Php4,385,787,970.39).

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

Balance of Proceeds from the sale of The30th as of March 31, 2021	Php	4,559,261,012.97
Less: Disbursements from April 1 to June 30, 2021 (Annex A)		<u>173,473,042.58</u>
Balance of Proceeds from the sale of The30th as of June 30, 2021	Php	<u>4,385,787,970.39</u>

Thank you.

Very truly yours,


Ma. Luisa D. Chiong
Ayala Land, Inc.
Attorney-in-fact


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


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

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
Represented by:		
Ma. Luisa D. Chiong	Passport No. P6354499B	22 Feb 2021 / 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. 44 ;
Page No. 16 ;
Book No. XV ;
Series of 2024 ;

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
IBP No. 136246 - 12/21/2020 - Makati City
PTR No. 8533969ME - 01/04/2021 - Makati City
MCLE Compliance No. VI - 0909482 - 06/20/2018
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

ANNEX A- Disbursements from April 1 to June 30, 2021

Disbursing Entity	Project Name	Amount
ALI Eton Property Development Corporation	Parklinks	32,132,813.32
Unity Realty & Dev't Corp.	Pampanga Property	9,623,367.79
Cebu District Property Enterprise, Inc.	Gatewalk Central	131,716,861.47
TOTAL		173,473,042.58

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

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

We report our findings below:

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

Distributing Entity	Amount	Project Name
ALI Eton Property Development Corp.	₱32,132,813.32	Parklinks
Unity Realty & Dev't Corp.	9,623,367.79	Pampanga Property
Cebu District Property Enterprise, Inc.	131,716,861.47	Gatewalk Central
	₱173,473,042.58	

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

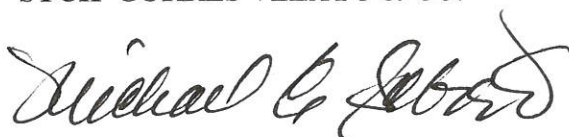
3. There were no additions during the quarter. Further, we inquired into and identified the nature of the disbursement. We checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of The 30th proceeds as documented in the Reinvestment Plan.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

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

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

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

SYCIP GORRES VELAYO & CO.



Michael C. Sabado

Partner

CPA Certificate No. 89336

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 15 July 2021, before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

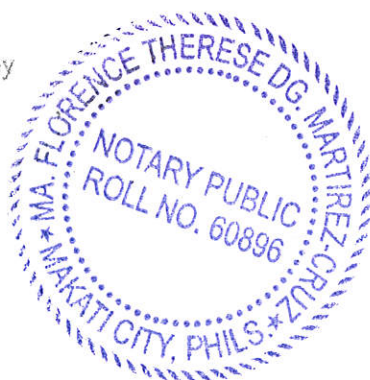
Name	Competent Evidence of Identity	Date / Place Issued
Michael C. Sabado	P1178919B	March 25, 2019/DFA


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

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

Doc. No. 74;
Page No. 16;
Book No. XV;
Series of 2021.

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
IBP No. 136246 - 12/21/2020 - Makati City
PTR No. 8533969ME - 01/04/2021 - Makati City
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28th Floor, Tower One and Exchange Plaza
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Makati City, Philippines

July 15, 2021

THE PHILIPPINE STOCK EXCHANGE

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

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

Subject: 2021 Second 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 Second 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 June 30, 2021 the remaining balance of the proceeds from the sale of 44 million AREIT Shares, amounts to One Billion Three Hundred Ninety-Eight Million One Hundred Eighty-Six Thousand Two Hundred Forty Pesos (Php1,398,186,240.00).

No disbursement was made during the Second Quarter of 2021.

Proceeds from sale of 44 million AREIT Shares as of May 5, 2021	Php	1,398,186,240.00
Less: Disbursement May 5 to June 30, 2021		<u>0.00</u>
Balance of Proceeds as of June 30, 2021	Php	<u>1,398,186,240.00</u> <i>fr</i>

Thank you.

Very truly yours,


Ma. Luisa D. Chiong
Ayala Land, Inc.
Attorney-in-fact


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


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

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC.	TIN: 000-153-790-000	
<i>Represented by:</i>		
Ma. Luisa D. Chiong	Passport No. P6354499B	22 Feb 2021 / 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. 45 ;
Page No. 10 ;
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Series of 2021 ;

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IBP No. 136246 - 12/21/2020 - Makati City
PTR No. 8533969ME - 01/04/2021 - Makati City
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28th Floor, Tower One and Exchange Plaza
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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 **June 30, 2021** on the use of the proceeds received by **Ayala Land, Inc.** (the "Company") from the block sale of its shares in **AREIT, Inc.** ("AREIT") on **May 5, 2021**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

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

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We checked whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds. The only transaction during the period was the receipt of the gross proceeds for the block sale.
3. We traced the gross proceeds received in the Schedule amounting to ₱1,398.19 million to the bank statements and sale information sheet. No exceptions noted.
4. We inquired into and identified the nature of the additions and checked whether these are consistent based on the schedule of the planned use of proceeds from the block sale of AREIT shares as documented in the Reinvestment Plan. 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

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December 3, 2020, valid until December 2, 2023

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

ACKNOWLEDGMENT

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

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

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

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

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

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MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ

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