February 19, 2025

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AREIT**, Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended December 31, 2024, 2023 and 2022 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Isla Lipana & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards of Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ANNA MA. MARGARITA B. DY
Chairman, Board of Directors

JOSE EDUARDO A. QUIMPO II
President & Chief Executive Officer

MA. TERESA R. FAMY
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 25 2025, at Makati City, affiants exhibited to me their passports as competent evidence of their identities, as follows:

Name	Passport No.	Date/Place of Issue
Anna Ma. Margarita B. Dy	[redacted]	[redacted]
Jose Eduardo A. Quimpo II		
Ma. Teresa R. Famy		

WITNESS MY HAND AND SEAL on the date and at the place first above written.

Doc. No. 279
Page No. 57
Book No. VIII
Series of 2025.

Notarial DST pursuant to Sec. 61 of the TRAIN Act (Amending Sec. 188 of the NIRC) affixed on Notary Public's copy

MA. FELORA A. MANGAWANG
NOTARY PUBLIC
ROLL NO. 64804
MAKATI CITY PHILIPPINES

MA. FELORA A. MANGAWANG
Notary Public – Makati City
Appt. No. M-158 until December 31, 2025
Roll of Attorneys No. 64804
Lifetime IBP No. 013749 – Makati City
PTR No. MKT10473034 – 01/06/2025 - Makati City
MCLE Compliance No. VII –0006702 – 11/18/2021
28th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	6	1	3	8	7	0

Company Name

A R E I T , I N C .

Principal Office (No./Street/Barangay/City/Town/Province)

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

Form Type	Department requiring the report	Secondary License Type, if applicable
AFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number(s)	Mobile Number
ali.ccsg@amicassa.com.ph	(02) 7908-3804	N/A

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
14	4/23	12/31

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

Name of Contact Person	Email Address	Telephone Number(s)	Mobile Number
Ma. Teresa R. Famy	famy.myrra@ayalaland.com.ph		N/A

Contact Person's Address

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

__NOTE1__ : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated. __2__ : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AREIT, Inc. (the "Company") as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard (PFRS) Accounting Standards.

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2024 and 2023;
- the statements of comprehensive income for the years ended December 31, 2024 and 2023;
- the statements of changes in equity for the years ended December 31, 2024 and 2023;
- the statements of cash flows for the years ended December 31, 2024 and 2023; and
- the notes to the financial statements, comprising material accounting policy information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

Other Matter

The financial statements of the Company for the year ended December 31, 2022 were audited by another firm of auditors whose report, dated February 24, 2023, expressed an unmodified opinion on those statements.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key Audit Matters

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

The key audit matter identified in our audit pertains to the valuation of investment properties.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Valuation of investment properties	
Refer to Notes 5 and 19.2 to the financial statements for the details of the investment properties and discussion on critical accounting estimates and assumptions. As at December 31, 2024, investment properties, carried at fair value, amount to P97.58 billion, which is approximately 79% of the total assets of the Company. The determination of fair values by the management and an external appraiser involves significant estimation using assumptions such as discount rates and growth rates, which are influenced by the prevailing market rates and comparable information. A fair value assessment is performed regularly based on the requirements of PFRS 13, *Fair Value Measurement*, and Philippine Accounting Standard (PAS) 40, *Investment Property*.	We obtained the latest appraisal reports for investment properties as at December 31, 2024 and assessed the appropriateness of the valuation methodology and significant fair value inputs and assumptions used. We tested the significant inputs and assumptions by establishing our independent estimates based on the current market and economic conditions as well as the Company's historical experience. Further, we assessed the reasonableness of the valuation of investment properties through benchmarking with comparable properties in the market. In performing these procedures, we involved our internal valuation expert. We evaluated the competence and objectivity of the external appraiser engaged by the Company by reviewing their profile, licenses, and client portfolio. We also checked the appropriateness and sufficiency of the note disclosures on the valuation of investment properties in accordance with the requirements of PFRS 13 and PAS 40.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on the Bureau of Internal Revenue Requirement

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

The engagement partner on the audit resulting in this independent auditor's report is Zaldy D. Aguirre.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 3, 2025, Makati City
TIN 221-755-698
BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 19, 2025

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited the financial statements of AREIT, Inc. as at and for the years ended December 31, 2024 and 2023, on which we have rendered the attached report dated February 19, 2025. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration and Map of the Group of Companies within which the Reporting Entity belongs, as additional components required by Part I, Section 5 of the Revised SRC Rule 68, and Schedules A, B, C, D, E, F and G, as required by Part II of the Revised SRC Rule 68, is presented for the purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised SRC Rule 68.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 3, 2025, Makati City
TIN 221-755-698
BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 19, 2025

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Statements Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the "Company") as at and for the years ended December 31, 2024 and 2023, and have issued our report thereon dated February 19, 2025. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the years ended December 31, 2024 and 2023 and no material exceptions were noted.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 3, 2025, Makati City
TIN 221-755-698
BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026
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Makati City
February 19, 2025

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AREIT, Inc.

Statements of Financial Position
As at December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Assets			
Current assets			
Cash	2	71,173,448	41,758,546
Receivables, net	3	4,137,961,846	4,265,885,013
Other current assets	4	348,036,017	178,145,850
Total current assets		4,557,171,311	4,485,789,409
Non-current assets			
Receivables, net of current portion	3,16	19,628,763,009	8,926,820,448
Investment properties	5	97,579,387,207	78,255,747,008
Property and equipment, net	6	983,346	1,053,460
Other non-current assets	4	1,456,378,068	1,602,882,126
Total non-current assets		118,665,511,630	88,786,503,042
Total assets		123,222,682,941	93,272,292,451
Liabilities and Equity			
Current liabilities			
Accounts and other payables	7	2,979,327,838	2,127,536,764
Short-term debt	8	2,000,000,000	3,000,000,000
Current portion of deposits and other liabilities	9	388,962,761	649,210,862
Construction bonds	10	138,143,467	95,692,253
Total current liabilities		5,506,434,066	5,872,439,879
Non-current liabilities			
Deposits and other liabilities, net of current porti	9	3,097,435,509	2,773,205,028
Lease liabilities	16	1,248,290,844	1,216,810,735
Total non-current liabilities		4,345,726,353	3,990,015,763
Total liabilities		9,852,160,419	9,862,455,642
Equity	11		
Paid-up capital		32,771,959,550	24,359,365,430
Treasury shares		(673,299,700)	(673,299,700)
Additional paid-in capital		56,368,354,602	36,320,032,381
Retained earnings		24,903,508,070	23,403,738,698
Total equity		113,370,522,522	83,409,836,809
Total liabilities and equity		123,222,682,941	93,272,292,451

The notes on pages 1 to 39 are an integral part of these financial statements.

AREIT, Inc.

Statements of Comprehensive Income
For the years ended December 31, 2024 and 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2024	2023	2022
Revenue				
Rental income	5,12	7,562,124,980	5,438,890,870	3,807,533,243
Dues	5,13	1,535,013,696	1,250,613,030	1,042,991,455
Interest income from finance lease receivables	18	1,162,028,271	450,832,306	222,321,826
		10,259,166,947	7,140,336,206	5,072,846,524
Costs and expenses				
Direct operating expenses	5,15	2,659,670,235	1,978,492,974	1,359,803,642
General and administrative expenses	15	91,330,975	126,349,291	79,490,176
		2,751,001,210	2,104,842,265	1,439,293,818
Other charges, net				
Interest income	14	174,493,153	133,829,672	34,332,442
Interest expense and other charges	15	(319,328,672)	(236,970,210)	(231,243,666)
Other income	14	222,921	2,678	-
		(144,612,598)	(103,137,860)	(196,911,224)
Net fair value change in investment properties	5	(43,374,600)	99,254,883	(548,953,984)
Income before income tax		7,320,178,539	5,031,610,964	2,887,687,498
Income tax expense	17	3,113,918	1,066,925	124,462
Net income for the year		7,317,064,621	5,030,544,039	2,887,563,036
Other comprehensive income		-	-	-
Total comprehensive income for the year		7,317,064,621	5,030,544,039	2,887,563,036
Basic and diluted earnings per share	21	2.62	2.60	1.91

The notes on pages 1 to 39 are an integral part of these financial statements.

AREIT, Inc.

Statements of Changes in Equity
For the years ended December 31, 2024 and 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Paid-up capital (Note 11)	Treasury shares (Note 11)	Additional paid-in capital (Note 11)	Retained earnings (Note 11)	Total equity
At January 1, 2022	15,762,407,800	(673,299,700)	11,333,074,693	22,465,407,195	48,887,589,988
Comprehensive income					
Net income for the year	-	-	-	2,887,563,036	2,887,563,036
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,887,563,036	2,887,563,036
Transactions with stockholders					
Issuance of new shares, net	2,521,363,830	-	8,688,570,839	-	11,209,934,669
Cash dividends	-	-	-	(2,912,197,864)	(2,912,197,864)
Total transactions with stockholders	2,521,363,830	-	8,688,570,839	(2,912,197,864)	8,297,736,805
At December 31, 2022	18,283,771,630	(673,299,700)	20,021,645,532	22,440,772,367	60,072,889,829
Comprehensive income					
Net income for the year	-	-	-	5,030,544,039	5,030,544,039
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	5,030,544,039	5,030,544,039
Transactions with stockholders					
Issuance of new shares, net	6,075,593,800	-	16,298,386,849	-	22,373,980,649
Cash dividends	-	-	-	(4,067,577,708)	(4,067,577,708)
Total transactions with stockholders	6,075,593,800	-	16,298,386,849	(4,067,577,708)	18,306,402,941
At December 31, 2023	24,359,365,430	(673,299,700)	36,320,032,381	23,403,738,698	83,409,836,809
Comprehensive income					
Net income for the year	-	-	-	7,317,064,621	7,317,064,621
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	7,317,064,621	7,317,064,621
Transactions with stockholders					
Issuance of new shares, net	8,412,594,120	-	20,048,322,221	-	28,460,916,341
Cash dividends	-	-	-	(5,817,295,249)	(5,817,295,249)
Total transactions with stockholders	8,412,594,120	-	20,048,322,221	(5,817,295,249)	22,643,621,092
At December 31, 2024	32,771,959,550	(673,299,700)	56,368,354,602	24,903,508,070	113,370,522,522

The notes on pages 1 to 39 are an integral part of these financial statements.

AREIT, Inc.

Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2024	2023	2022
Cash flows from operating activities				
Income before income tax		7,320,178,539	5,031,610,964	2,887,687,498
Adjustments for:				
Net fair value change in investment properties	5	43,374,600	(99,254,883)	548,953,984
Depreciation	6,15	290,415	222,922	90,634
Interest expense and other charges		253,945,021	235,222,482	208,368,633
Interest income from finance lease receivables	18	(1,162,028,271)	(450,832,306)	(222,321,826)
Interest income from cash in banks and intercompany loans	14	(174,493,153)	(133,829,672)	(34,332,442)
Operating income before working capital changes		6,281,267,151	4,583,139,507	3,388,446,481
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables		(88,171,163)	(834,379,771)	(340,416,374)
Other assets		(23,386,108)	64,510,953	120,810,161
Increase (decrease) in:				
Deposits and other liabilities		63,786,423	1,402,477,986	(66,409,250)
Accounts and other payables		851,791,075	961,192,923	534,464,897
Construction bonds		42,451,214	(2,892,023)	40,004,636
Cash generated from operations		7,127,738,592	6,174,049,575	3,676,900,551
Interest received		174,493,153	364,810,118	256,654,268
Income tax paid		(3,113,919)	(1,066,925)	(124,462)
Net cash flows from operating activities		7,299,117,826	6,537,792,768	3,933,430,357
Cash flows from investing activities				
(Increase) decrease in due from related parties		1,220,523,319	(1,734,904,000)	(181,203,951)
Additions to:				
Investment properties	5	(1,347,523,071)	(201,172,225)	(81,462,725)
Property and equipment	6	(220,301)	(677,751)	(379,550)
Proceeds from disposal of investment property		38,985,000	-	-
Net cash flows used in investing activities		(88,235,053)	(1,936,753,976)	(263,046,226)
Cash flows from financing activities				
Payments of:				
Short-term debts	8	(1,000,000,000)	(3,300,000,000)	(890,000,000)
Cash dividends	11	(5,817,295,248)	(4,067,577,708)	(2,912,197,864)
Share issuance cost	11	(141,903,668)	(105,716,411)	(47,954,832)
Interest portion of lease liabilities	16	(55,230,076)	(53,896,170)	(49,232,653)
Interest on short-term and long-term debts	15	(167,038,879)	(94,843,339)	(100,256,144)
Proceeds from:				
Short-term debts	8	-	3,000,000,000	300,000,000
Net cash flows (used in) from financing activities		(7,181,467,871)	(4,622,033,628)	(3,699,641,493)
Net (decrease) increase in cash		29,414,902	(20,994,836)	(29,257,362)
Cash				
At January 1		41,758,546	62,753,382	92,010,744
At December 31	2	71,173,448	41,758,546	62,753,382

Non-cash investing and financing activities 23

The notes on pages 1 to 39 are an integral part of these financial statements.

AREIT, Inc.

Notes to the Financial Statements
As at and for the years ended December 31, 2024 and 2023
(With comparative figures and notes for the year ended December 31, 2022)
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

1 General information

Corporate information

AREIT, Inc., (formerly One Dela Rosa Property Development, Inc.) (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2006. On September 26, 2018, the Company amended its Articles of Incorporation to engage in the business of a real estate investment trust (REIT), as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), and its implementing rules and regulations (the REIT Act).

The Company was organized primarily to engage in the business, which includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, whether freehold or leasehold, within or outside the Philippines with or to such persons and entities and under such terms and conditions as may be permitted by law; (2) to invest in, purchase, acquire, own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real estate and managed funds; (3) to receive, collect and dispose of the rent, interest, dividends and income arising 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.

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. The Company’s common stock was listed in the PSE on August 13, 2020 as a REIT entity.

As a REIT entity, the Company, provided it has complied with the requirements under the REIT Act, is entitled to the following:

(a) not subject to 2% minimum corporate income tax (MCIT);
(b) exemption from value-added tax (VAT) and documentary stamp tax (DST) on the transfer of property in exchange of its shares;
(c) deductibility of dividend distribution from its taxable income; and
(d) fifty percent (50%) of the standard DST rate on the transfer of real property into the Company, including the sale or transfer of any security interest thereto.

As at December 31, 2024, the Company is 55.39% collectively owned by Ayala Land, Inc.(ALI) or (the “Parent Company”) and its subsidiaries, 6.20%-owned by Buendia Christiana Holdings, Corp. a wholly-owned subsidiary of AC Energy, and the rest by the public.

ALI’s parent is Ayala Corporation (AC). AC is 47.57%-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 operational and administrative functions of the Company are handled by ALI before its listing. Beginning August 13, 2020, AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. handle the fund manager functions and property management functions of the Company, respectively (Note 18).

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

Approval and authorization for issuance of the financial statements

These financial statements have been approved and authorized for issue by the Company's Board of Directors (BOD) on February 19, 2025.

2 Cash

The account as at December 31 consists of:

	2024	2023
Cash on hand	232,500	232,500
Cash in banks	70,940,948	41,526,046
	71,173,448	41,758,546

Cash in banks earn interest at the prevailing bank deposit rates. Interest income earned for the years ended December 31, 2024, 2023 and 2022 are disclosed in Note 14.

There are no restrictions on the Company's cash balances as at December 31, 2024 and 2023.

3 Receivables, net

The account as at December 31 consists of:

	Notes	2024	2023
Finance lease receivables	16,18	19,673,140,935	8,970,700,468
Due from related parties	18	2,763,502,905	3,572,116,662
Trade receivables - billed		1,475,918,230	764,788,173
Other receivables		2,866,119	2,349,543
		23,915,428,189	13,309,954,846
Allowance for credit losses		(148,703,334)	(117,249,385)
		23,766,724,855	13,192,705,461
Less: Non-current portion of finance lease receivables		(19,628,763,009)	(8,926,820,448)
Current portion of receivables		4,137,961,846	4,265,885,013

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

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

Movements in the allowance for credit losses of trade receivables for the years ended December 31 are as follows:

	Note	2024	2023
At January 1		117,249,385	60,404,901
Provision for doubtful accounts	15	31,453,949	56,844,484
At December 31		148,703,334	117,249,385

There were no receivables pledged as collaterals as at December 31, 2024 and 2023.

4 Other assets

(a) Other current assets

The account as at December 31 consists of:

	2024	2023
Input VAT	79,914,038	163,381,035
Deferred input VAT	133,685,864	-
Prepaid expenses	110,243,518	-
Recoverable deposits	24,192,597	14,764,815
	348,036,017	178,145,850

Input VAT represents taxes due or paid on purchases of goods and services subjected to VAT that the Company can claim against future liability to the Bureau of Internal Revenue (BIR) for output VAT pertaining to sale of goods and services that have been incurred and billings which have been received as at date. The input VAT can also be refunded subject to the approval of the BIR. Input VAT is expected to be applied against output VAT within 12 months from reporting date.

Deferred input VAT pertains to input tax on the Company's purchases of goods and services not yet settled during the year which is available for offset against the Company's future output VAT.

Prepaid expenses pertains to advance payment of real property taxes for certain investment properties.

As at December 31, 2024 and 2023, the amount of input VAT includes claim for refund amounting to P24.73 million, which is still awaiting approval from the BIR.

Recoverable deposits pertain to various utility deposits recoverable within 12 months from reporting date.

(b) Other non-current assets

The account as at December 31 consists of:

	2024	2023
Input VAT	1,178,310,216	1,173,692,852
Deferred input VAT	-	279,408,203
Creditable withholding taxes (CWT), net	270,444,100	148,405,356
Advances to contractors	7,623,752	1,375,715
	1,456,378,068	1,602,882,126

The remaining balance of input VAT and deferred input VAT are assessed to be recoverable beyond 12 months from reporting date.

CWT represent the income tax amount withheld by the Company. These are recognized upon collection of the related income and utilized as tax credits against income tax due. The CWT can also be refunded subject to the approval of the BIR, hence recognized by the Company as net of related allowance for probable losses as follows:

	2024	2023
CWT	401,933,984	266,992,694
Allowance for probable losses on CWT	(131,489,884)	(118,587,338)
	270,444,100	148,405,356

The movements in allowance for probable losses on CWT for the years ended December 31 are as follows:

	Note	2024	2023
At January 1		118,587,338	72,000,000
Provision for probable losses	15	12,902,546	46,587,338
At December 31		131,489,884	118,587,338

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

5 Investment properties

The account consists of properties that are either held for capital appreciation, for rental purposes or both. The Company's investment properties are carried at fair value.

As at December 31, 2024, the investment properties are composed of 18 stand-alone buildings, six mixed-used properties, six condominium office units, and 285.73 hectares of land as follows:

Name of properties	Details and location
Stand-alone buildings	
Solaris One	One (1) building in Makati City
McKinley Exchange	One (1) building in Makati City
Teleperformance Cebu	One (1) building in Cebu I.T. Park, Cebu City
eBloc Towers 1-4	Four (4) towers in Cebu I.T. Park, Cebu City
ACC Tower	One (1) tower in Ayala Center Cebu, Cebu Business Park, Cebu City
Tech Tower	One (1) tower in Sumilon cor. Camiguin Roads, Cebu City
Evotech One and Two	Two (2) office buildings in Laguna
Bacolod Capitol Corporate Center	One (1) building in Bacolod City, Negros Occidental
Ayala Northpoint Technohub	One (1) building in Bacolod City, Negros Occidental
Marquee Mall	One (1) mall building in Angeles City, Pampanga
Seda Lio	One (1) hotel building in El Nido, Palawan
Greenbelt 3&5 Mall	Two (2) mall building in Makati City
Holiday Inn Makati	One (1) hotel building in Makati City
Seda Ayala Center Cebu	One (1) hotel building in Ayala Center Cebu, Cebu Business Park
Mixed-use properties	
Ayala North Exchange	Two (2) office towers and one (1) serviced apartment in Makati City
The 30th Commercial Development	One (1) office building and one (1) mall building in Pasig City
Vertis North Commercial Development	Three (3) office towers and one (1) mall building in Quezon City
One Ayala Development	Two (2) office towers in Makati, City
Glorietta 1&2	Two (2) office buildings and two (2) mall buildings in Makati, City
Ayala Triangle Garden Tower 2	One (1) office tower in Makati City
Condominium office units	
BPI-Philam Life Makati	Three (3) condominium office units located at the intersection of Ayala Avenue and Gil Puyat Avenue, Makati City
BPI-Philam Life Alabang	Three (3) condominium office units located at Madrigal Business Park, Alabang, Muntinlupa City
Land parcels	
Laguna Technopark	Four (4) land parcels in Laguna Technopark, Laguna
Palauig Industrial Lot	276 hectares in Palauig, Zambales

The movements in investment properties for the years ended December 31 are as follows:

	Note	2024	2023
At January 1		78,255,747,008	60,871,459,005
Additions	11	29,950,343,079	22,680,869,285
Properties under finance lease	16	(10,544,343,280)	(5,497,931,010)
Disposal		(38,985,000)	-
Fair value adjustment		(43,374,600)	201,349,728
At December 31		97,579,387,207	78,255,747,008

Additions

During the years ended December 31, 2024 and 2023, the Company entered into property-for-share swap transactions for certain investment properties in exchange of issuance of shares (Note 11).

On January 17, 2024, the Company entered into a Deed of Absolute Sale with Econorth Resort Ventures, Inc. (ERVI), a subsidiary of Ayala Land, Inc. (ALI), to acquire SEDA Lio, a hotel building for P1,192.00 million, exclusive of VAT. Simultaneous to the acquisition, the Company and ERVI, entered into a lease agreement for the room-resort hotel that is payable on quarterly guaranteed lease for a period of 25 years. The room-resort hotel building is operated by ERVI (Note 16).

Disposals

In 2024, the Company sold its three (3) condominium office units in BPI-Philam Life Alabang located at Madrigal Business Park, Alabang, Muntinlupa City. In 2023, there were no disposals of investment properties. The proceeds from the disposal is equal to the fair value.

Fair value measurement

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. As at December 31, 2024 and 2023, the fair value of the investment properties was determined by an independent and professionally qualified appraiser engaged by management.

As at December 31, 2024 and 2023, the fair value of the Company's investment properties was determined using the income approach, which is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value.

For the income approach, the fair value is calculated taking into consideration significant inputs and assumptions which are mainly the discount rate and growth rate.

Significant increases (decreases) in discount rate would result in a significantly lower (higher) fair value measurement while a change in the assumption used for the lease income growth rate and market prices is accompanied by a directionally similar change in the Company's fair value of investment properties.

The fair value of the Company's investment properties is categorized under Level 3 in the fair value hierarchy as at December 31, 2024 and 2023.

The components of the net fair value change in investment properties for the years ended December 31 are as follows:

	2024	2023	2022
Fair value adjustment	461,055,134	201,349,728	(544,182,723)
Straight-line adjustment	(473,104,893)	(86,563,721)	17,813,632
Lease commissions	(31,324,841)	(15,531,124)	(22,584,893)
	(43,374,600)	99,254,883	(548,953,984)

Rental income and dues earned from investment properties and direct operating expenses incurred for the years ended December 31 are as follows:

	Notes	2024	2023	2022
Rental income	12	7,562,124,980	5,438,890,870	3,807,533,243
Dues	13	1,535,013,696	1,250,613,030	1,042,991,455
Direct operating expenses	15	2,659,670,235	1,978,492,974	1,359,803,642

There are no items of investment properties that are pledged as security to liabilities as at December 31, 2024 and 2023. There are no restrictions on selling or transferring investment properties as at December 31, 2024 and 2023.

There are no contractual purchase commitments for investment properties as at December 31, 2024 and 2023.

6 Property and equipment, net

The account as at December 31 pertains to electronic data processing equipment. The roll forward analysis follow:

	Note	2024	2023
Cost			
At January 1		3,285,878	2,608,127
Additions		220,301	677,751
At December 31		3,506,179	3,285,878
Accumulated depreciation			
At January 1		2,232,418	2,009,496
Depreciation	15	290,415	222,922
At December 31		2,522,833	2,232,418
Net book value at December 31		983,346	1,053,460

There are no items of property and equipment that are pledged as security to liabilities as at December 31, 2024 and 2023.

There are no contractual purchase commitments for property and equipment as at December 31, 2024 and 2023.

7 Accounts and other payables

The account as at December 31 consists of:

	Notes	2024	2023
Due to related parties	18	1,979,810,093	1,387,841,859
Accounts payable		817,595,440	375,385,620
Taxes payable		98,033,159	202,773,416
Accrued expenses			
Repairs and maintenance		46,898,065	50,708,775
Light and water		15,769,349	53,654,236
Outside services		7,470,752	47,142,815
Rent		2,176,896	869,176
Professional fees		29,529	2,150,753
Others		2,170,136	4,545,906
Retention payable		5,952,197	2,464,208
Interest payable	8	3,422,222	-
		2,979,327,838	2,127,536,764

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

Taxes payable consists of amounts payable to the BIR pertaining to withholding taxes and deferred output VAT.

Other accrued expenses consist mainly of accruals for professional fees, postal and communication, supplies, transportation and travel, security, insurance, and representation.

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 non-interest bearing and are normally settled upon completion of the relevant contract.

8 Short-term debts

As at December 31, 2024, the Company's short-term debts pertain to short-term loans payable with a local bank, which are unsecured, with average term of 31 days (2023 - 32 days) and with average interest rate of 5.60% (2023 - 5.60%) (Note 18).

Interest expense on short-term debts are disclosed in Note 15.

9 Deposits and other liabilities

The account as at December 31 consists of:

	2024	2023
Security deposits	1,776,006,705	1,667,515,061
Advance rentals	1,329,637,726	1,428,973,801
Deferred credits	380,753,839	325,927,028
	3,486,398,270	3,422,415,890
Less: Current portion of deposits and other liabilities	(388,962,761)	(649,210,862)
Deposits and other liabilities, net of current portion	3,097,435,509	2,773,205,028

The current portion of deposits and other liabilities as at December 31 consists of:

	2024	2023
Security deposits	100,613,259	175,500,235
Advance rentals	147,404,590	322,412,270
Deferred credits	140,944,912	151,298,357
	388,962,761	649,210,862

(a) 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 months' rent and will be refunded to the lessee at the end of the lease term.

The roll forward of security deposits for the years ended December 31 follows:

	Note	2024	2023
Gross amount			
At January 1		1,907,821,656	1,115,770,346
Additions		79,814,956	792,823,358
Refunds		(20,394,511)	(772,048)
At December 31		1,967,242,101	1,907,821,656
Unamortized discount			
At January 1		240,306,595	71,449,954
Additions		16,227,789	203,634,743
Accretion	15	(65,298,988)	(34,778,102)
At December 31		191,235,396	240,306,595
Net book value at December 31		1,776,006,705	1,667,515,061

(b) Advance rentals

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

(c) Deferred credits

Deferred credits are initially measured as the difference between the cash received and the fair value of security deposits. These are subsequently amortized using the straight-line method and recognized as amortization of deferred credits' under 'rental income' in the statement of comprehensive income. Accretion of discount is recorded under "Interest expense and other charges" in profit or loss.

Deferred credits pertain to the difference between the nominal value of the deposits and its fair value.

The roll forward of deferred credits for the years ended December 31 follows:

	Note	2024	2023
At January 1		325,927,028	57,988,921
Additions		127,278,419	303,779,427
Amortization	12	(72,451,608)	(35,841,320)
At December 31		380,753,839	325,927,028
Less: Current portion		(140,944,912)	(151,298,357)
Non-current portion		239,808,927	174,628,671

10 Construction bonds

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

The carrying value of the Company's construction bonds amounts to P138.14 million as at December 31, 2024 (2023 - P95.69 million).

11 Equity

(a) Paid-up capital and additional paid-in capital (APIC)

The details of the Company's paid-up capital as at December 31 follow:

	2024	2023
Authorized	4,050,000,000	4,050,000,000
Par value per share	10.00	10.00
Issued and outstanding shares	3,209,865,985	2,368,606,573

The changes in the number of common shares for the years ended December 31 follow:

	2024	2023	2022
Authorized number of shares			
At January 1 (P10.00 par value)	4,050,000,000	2,950,000,000	2,950,000,000
Increase in authorized capital stock	-	1,100,000,000	-
At December 31	4,050,000,000	4,050,000,000	2,950,000,000
Issued shares			
At January 1	2,435,936,543	1,828,377,163	1,576,240,780
Issuance of new shares	841,259,412	607,559,380	252,136,383
At December 31	3,277,195,955	2,435,936,543	1,828,377,163
Treasury shares			
At January 1 and December 31	(67,329,970)	(67,329,970)	(67,329,970)
Outstanding shares at December 31	3,209,865,985	2,368,606,573	1,761,047,193

Issuance of new shares

During the years ended December 31, 2024 and 2023, the Company entered into property-for-share swap transactions for certain investment properties in exchange of issuance of shares. The details of transaction value of investment properties acquired and the amount resulting from the issuance of new shares for the years ended December 31 follow:

December 31, 2024 **Property**	**Counterparty***	**Transaction value**	**Number of shares**	**Issue price**	**Paid-up capital**	**Additional paid-in capital**
Ayala Triangle Garden Tower 2	ALI	12,480,755,836	367,081,054	34	3,670,810,540	8,809,945,296
Greenbelt 3 & 5 Malls	ALI	5,414,024,408	159,236,012	34	1,592,360,120	3,821,664,288
Seda Ayala Center Cebu	Cebu Insular	2,635,203,116	77,505,974	34	775,059,740	1,860,143,376
Holiday Inn Makati	Green Haven	1,303,115,756	38,326,934	34	383,269,340	919,846,416
Palauig Industrial Lot	BCHC	6,769,720,892	199,109,438	34	1,991,094,380	4,778,626,512
		28,602,820,008	841,259,412		8,412,594,120	20,190,225,888

December 31, 2023 **Property**	**Counterparty***	**Transaction value**	**Number of shares**	**Issue price**	**Paid-up capital**	**Additional paid-in capital**
Glorietta BPO 1	ALI	3,090,625,614	83,530,422	37	835,304,220	2,255,321,394
Glorietta BPO 2	ALI	3,265,229,909	88,249,457	37	882,494,570	2,382,735,339
One Ayala West Tower	ALMI	4,955,177,233	133,923,709	37	1,339,237,090	3,615,940,143
One Ayala East Tower	ALMI	5,670,733,294	153,263,062	37	1,532,630,620	4,138,102,674
Glorietta Mall Wings 1 and 2	ALI	3,448,776,031	93,210,163	37	932,101,630	2,516,674,401
Marquee Mall	NBCC	2,049,154,979	55,382,567	37	553,825,670	1,495,329,309
		22,479,697,060	607,559,380		6,075,593,800	16,404,103,260

December 31, 2022 **Property**	**Counterparty***	**Transaction value**	**Number of shares**	**Issue price**	**Paid-up capital**	**Additional paid-in capital**
ebloc Tower 1	ALI	2,120,348,800	47,488,215	44.65	474,882,150	1,645,466,650
ebloc Tower 2	ALI	2,659,373,155	59,560,429	44.65	595,604,290	2,063,768,865
ebloc Tower 3	ALI	1,384,962,317	31,018,193	44.65	310,181,930	1,074,780,387
ebloc Twer 4	ALI	1,748,801,504	39,166,887	44.65	391,668,870	1,357,132,634
ACC (Ayala Center Cebu) Tower	ALI	2,185,801,369	48,954,118	44.65	489,541,180	1,696,260,189
Tech Tower	ALI	1,158,602,356	25,948,541	44.65	259,485,410	899,116,946
		11,257,889,501	252,136,383		2,521,363,830	8,736,525,671

**All of the counterparties are related party of the Company (Parent Company or entity under common control)*

The pertinent details of approvals and share issuance costs for each of the property-for-share swap during the years ended December 31 follow:

	2024	2023	2022
Date of BOD approval	November 16, 2023	March 7, 2023	March 10, 2022
Date of stockholders approval	April 23, 2024	April 26, 2023	April 21, 2022
Date of SEC approval	September 25, 2024	September 20, 2023	December 29, 2022
Share issuance costs	141,903,668	105,716,411	47,954,832

The Company's track record of capital stock is as follows:

Type of shares	Number of shares registered	Issue/ Offer price	Date of approval	Number of holders of securities as of 2024	Number of holders of securities as of 2023
Common shares	1,092,986,405	Par value- P10.00/ Issue price P27.00	July 27, 2020	48,239	39,810
Common shares	483,254,375	Par value- P10.00/ Issue price P32.00	October 07, 2021		
Common shares	252,136,383	Par value- P10.00/ Issue price P44.65	December 22, 2022		
Common shares	607,559,380	Par value- P10.00/ Issue price P37.00	September 20, 2023		
Common shares	841,259,412	Par value- P10.00/ Issue price P34.00	September 25, 2024		

(b) Cash dividends

The BOD approved the declaration of cash dividends amounting to P5.82 billion for the year ended December 31, 2024 as follows:

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved (in millions)	Payment date to stockholders
Q3 of 2024	November 13, 2024	November 27, 2024	P0.58	1,861.72	December 13, 2024
Q2 of 2024	July 12, 2024	July 26, 2024	P0.56	1,326.42	August 11, 2024
Q1 of 2024	May 14, 2024	May 28, 2024	P0.56	1,326.42	September 13, 2024
Q4 of 2023	February 19, 2024	March 04, 2024	P0.55	1,302.73	March 20, 2024
				5,817.29	

The BOD approved the declaration of cash dividends amounting to P4.07 billion for the year ended December 31, 2023 as follows:

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved (in millions)	Payment date to stockholders
Q3 of 2023	November 16, 2023	December 1, 2023	P0.55	1,302.73	December 15, 2023
Q2 of 2023	August 14, 2023	August 30, 2023	P0.53	933.3	September 13, 2023
Q1 of 2023	May 17, 2023	May 31, 2023	P0.52	915.74	June 16, 2023
Q4 of 2022	February 24, 2023	March 10, 2023	P0.52	915.74	March 24, 2023
				4,067.51	

The BOD approved the declaration of cash dividends amounting to P2.91 billion for the year ended December 31, 2022 as follows:

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved (in million)	Payment date to stockholders
Q3 of 2022	October 11, 2022	October 25, 2022	P0.49	739.37	November 10, 2022
Q2 of 2022	August 12, 2022	August 26, 2022	P0.49	739.37	September 09, 2022
Q1 of 2022	May 19, 2022	June 02, 2022	P0.48	724.28	June 17, 2022
Q4 of 2021	February 24, 2022	March 11, 2022	P0.47	709.18	March 25, 2022
				2,912.2	

12 Rental income

The account for the years ended December 31 consists of:

	Notes	2024	2023	2022
Office, retail and land	16	7,202,294,529	5,205,649,501	3,626,926,514
Parking fees	16	287,378,843	197,400,049	154,078,031
Amortization of deferred credits	9	72,451,608	35,841,320	26,528,698
		7,562,124,980	5,438,890,870	3,807,533,243

Variable rent, included within rental income, based on gross sales for the year ended December 31, 2024 amounts to P9.91 million (2023 - P1.30 million; 2022 - P9.08 million).

Further information regarding lease agreements and commitments in disclosed in Note 16.

13 Dues

Dues pertain to net recoveries from tenants for utilities, except for usage of common areas and air-conditioning charges, which are presented at gross of the related expenses. Set out below is the disaggregation of the Company's revenue from non-lease component for the years ended December 31:

	2024	2023	2022
Dues:			
Common area charges	1,453,999,300	1,205,457,742	880,438,679
Utilities dues	81,014,396	45,155,288	162,552,776
	1,535,013,696	1,250,613,030	1,042,991,455

14 Interest and other income

(a) Interest income

The account for the years ended December 31 consists of:

	Note	2024	2023	2022
Interest income from:				
Intercompany loans	18	158,923,565	128,495,045	33,710,130
Short term investments		628,228	418,913	3,771
Cash in banks		14,941,360	4,915,714	618,541
		174,493,153	133,829,672	34,332,442

(b) Other income

The account pertains to income earned from penalties arising from late payments.

15 Costs and expenses and other charges

(a) Direct operating expenses

The account for the years ended December 31 consists of:

	Notes	2024	2023	2022
Management fees	18	714,370,443	540,444,364	398,075,418
Taxes and licenses		638,000,196	469,904,775	363,304,266
Land lease	16,18	587,420,250	421,589,053	262,034,140
Repairs and maintenance		355,209,318	272,531,593	165,399,042
Outside services		247,054,363	187,647,959	119,284,197
Insurance		34,640,721	26,645,482	14,357,866
Miscellaneous		31,216,298	17,536,284	10,524,065
Others		51,758,646	42,193,464	26,824,648
		2,659,670,235	1,978,492,974	1,359,803,642

(b) General and administrative expenses

The account for the years ended December 31 consists of:

	Notes	2024	2023	2022
Provision for credit losses on receivable	3	31,453,949	56,844,484	22,948,855
Provision for probable losses on CWT	4	12,902,546	46,587,338	39,000,000
Taxes and licenses		20,305,841	5,723,217	3,008,543
Systems cost		10,713,068	6,896,260	4,185,393
Professional fees		6,590,562	4,250,112	4,603,471
Depreciation	6	290,415	222,922	90,634
Others		9,074,594	5,824,958	5,653,280
		91,330,975	126,349,291	79,490,176

(c) Interest expense and other charges

The account for the years ended December 31 consists of:

	Notes	2024	2023	2022
Interest expense on:				
Short-term debts		167,123,540	93,944,714	100,249,019
Lease liabilities	16	86,710,186	84,126,547	81,832,181
Accretion of security deposits	9	65,298,988	34,778,102	26,287,433
Amortization of bond issue costs		195,958	24,120,847	22,875,033
		319,328,672	236,970,210	231,243,666

16 Agreements and lease commitments

(a) The Company as lessor - operating lease

The Company entered into lease agreements with third parties covering its investment properties for a period of two (2) to more than five (5) years. These non-cancellable leases are subject to 1.5% to 10% annual escalation rate.

The future minimum rentals receivable under non-cancellable operating leases are as follows:

	2024	2023	2022
Within one year	6,237,306,375	5,238,667,800	2,854,784,345
After one year but not more than five (5) years	15,441,992,135	15,866,743,989	8,021,660,128
More than five years	15,422,209,851	3,617,758,018	335,045,027
	37,101,508,361	24,723,169,807	11,211,489,500

The Company as lessor - finance lease

The Company entered into various lease agreements with its Parent Company or related parties (entities under common control)with details as follows (Notes 3 and 18):

Property	Lease Start Date	Counterparty	Initial net investment in lease	Lease term (in years)	Payment terms
ANE Seda Makati Residences	September 1, 2019	Makati North Hotel Ventures, Inc. (MNHVI)	2,215,718,216	39	• Fixed rate plus a certain percentage of total revenue of the lessee for the remaining period of the lease term
Retail podium of The 30th	January 1, 2021	North Eastern Commercial Corporation (NECC)	418,280,884	36	• Higher between the (a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years
Vertis North Commercial Development Mall	October 1, 2021	North Eastern Commercial Corporation (NECC)	517,723,249	36	• Fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years
Glorietta Mall Wings 1&2	July 1, 2023	AyalaLand Malls, Inc. (ALMI)	3,448,776,031	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Marquee Mall	July 1, 2023	North Beacon Commercial Corp (NBCC)	2,049,154,979	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Seda Lio	January 17, 2024	Econorth Resort Ventures, Inc	1,192,000,000	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Greenbelt 3&5 Malls	July, 1, 2024	AyalaLand Malls, Inc. (ALMI)	5,414,024,408	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Holiday Inn Makati	July 1, 2024	Green Haven Property Ventures, Inc. (GPVI)	2,635,203,116	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum
Seda Ayala Center Cebu	July 1, 2024	Cebu Insular Hotel Co., Inc.	1,303,115,756	25	• Fixed rent and shall be subject to an escalation rate of 2.5% per annum

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

	2024	2023	2022
Within one year	1,491,049,823	915,109,665	234,690,936
After one year and not more than five (5) years	6,294,303,937	2,783,123,097	946,965,562
More than 5 years	41,067,339,616	19,286,270,607	7,465,937,702
Total undiscounted lease payments and unguaranteed residual value	48,852,693,376	22,984,503,369	8,647,594,200
Less: Unearned finance income	(29,179,552,441)	(14,013,802,901)	(5,426,448,195)
Net investment in the lease	19,673,140,935	8,970,700,468	3,221,146,005

The Company remains to be the legal owner of the portion of the ANE building, retail podium of The 30th, Vertis North Commercial Development Mall, Glorietta 1 & 2 Malls, Marquee Mall, Sedal Lio, Greenbelt 3&5 malls, Holiday Inn and Seda Ayala Center Cebu properties under finance lease.

(b) The Company as lessee - land lease agreements (variable rent expense)

The Company entered into various land lease agreements with its Parent Company or related parties (entities under common control) with details as follows:

Property	**Effective date**	**Counterparty***	**Lease term (in years)**
Land lease of Solaris building	January 1, 2016 April 26, 2019	ALI	33
Land lease of ANE	October 5, 2018	HLC Development Corporation (through assignment)	40
Land lease of Telepeformance Cebu	October 1, 2020	ALI (through assignment)	31
Land lease of The 30th	January 15, 2021	MBS Development Corporation (MBS)	40
Land of Vertis Towers 1-3 and Vertis Mall	October 1, 2021	ALI (through assignment)	36
Land lease of Bacolod BPO	October 1, 2021	ALI (through assignment)	36
Land lease of Cebu properties (ebloc 1, ebloc2, ebloc 3, ebloc 4, ACC Tower and Tech Tower)	October 1, 2022	ALI	36
Land lease of Glorietta 1&2 offices; and Mall	July 1, 2023	ALI	36
Land lease of One Ayala East and West towers	July 1, 2023	ALI	41.5
Land lease of Marquee Mall	July 1, 2023	NBCC	36
Land lease of Ayala Triangle Garden Tower 2	July 1, 2024	ALI	40

All of the land lease payments are on a variable basis paid monthly based on a certain percentage of gross rental income of the Company for the leased property.

The Company's contracts of lease for the land spaces that it occupies does not include any dismantling provision clause; hence, there is no need to recognize an asset retirement obligation.

(c) The Company as lessee - land and building leases (lease liabilities)

Property	**Effective date**	**Counterparty***	**Lease term (in years)**	**Payment terms**
Lease of land and building of MECC	January 31, 2020	ALI	34	Fixed monthly rate, subject to an escalation rate of five percent (5%) per annum.
Land lease of One and Two Evotech	October 1, 2021	CECI Realty, Inc. (through assignment)	36	Fixed monthly rate, subject to an escalation rate of five percent (5%) per annum.
Land lease of Bacolod Capitol Property	October 1, 2021	Province of Negros Occidental	50	Fixed monthly rate, subject to an escalation rate of ten percent (10%) every five (5) years.

Movement in lease liabilities for the years ended December 31 follows:

	Note	2024	2023
Balance at beginning the year		1,216,810,735	1,186,580,358
Interest expense	15	86,710,186	84,126,547
Payments		(55,230,077)	(53,896,170)
Balance at the end of the year		1,248,290,844	1,216,810,735

The right-of-use assets are included as part of investment properties and amounts to P968.68 million as at December 31, 2024 (2023 - P999.56 million).

The total cash outflow related to leases for the years ended December 31 amounted to:

	Note	2024	2023	2022
Variable lease payments not included in the measurement of lease liabilities	15	587,420,250	421,589,053	262,034,140
Payments of lease liabilities				
Principal portion		-	-	-
Interest portion		55,230,076	53,896,170	49,232,653
Total cash outflows		642,650,326	475,485,223	311,266,793

The following are the amounts recognized in the statement of total comprehensive income from the Company's lease agreements as lessee:

	Notes	2024	2023	2022
Rent expense - variable lease payments	15	587,420,250	421,589,053	262,034,140
Interest expense from lease liabilities	15	86,710,186	84,126,547	81,832,181
Total amounts recognized in the statement of total comprehensive income		674,130,436	505,715,600	343,866,321

17 Income tax

The account for the years ended December 31 consists of:

	2024	2023	2022
Current (final tax)	3,113,918	1,066,925	124,462
Deferred	-	-	-
	3,113,918	1,066,925	124,462

The Company has incurred NOLCO in the taxable years 2024, 2023 and 2022 which can be claimed as deduction from the regular income tax over a period of three (3) years, and NOLCO in the taxable years 2021 and 2020 which can be claimed as deduction from the regular income tax for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2024	519,442,116	-	519,442,116	2027
2023	890,518,286	-	890,518,286	2026
2022	336,859,619	-	336,859,619	2025
2021	688,819,663	-	688,819,663	2026
2020	481,283,017	-	481,283,017	2025
	2,916,922,701	-	2,916,922,701	

The Company does not recognize deferred tax asset the probability of generating future taxable income is assessed to be remote in view of its effectively tax free status as a REIT entity.

The reconciliation (in %) between the statutory income tax rate to the effective income tax rate shown in the statement of total comprehensive income follows:

	2024	2023	2022
Statutory income tax rate	25.00	25.00	25.00
Add (deduct) tax effect of:			
Non-deductible expenses	5.99	5.77	1.17
Non-taxable income	(10.99)	(13.07)	(0.37)
Deductible dividends	(20.00)	(17.70)	(25.80)
Effective income tax rate	0.00	0.00	0.00

For each of the three years ended December 31 above, the Company availed of the itemized deduction.

18 Related party transactions

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

Terms and conditions of transactions with related parties

The Company, in its regular conduct of business, has entered into transactions with related parties consisting of advances, and management, marketing, leasing and administrative service agreements. These are based on terms agreed by the parties. There have been no guarantees provided or received for any related party receivables or payables.

Material related party transactions (RPT)

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

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

The following tables provide the total balances and amounts of transactions that have been entered into with related parties as at and for the years ended December 31:

a. Outstanding balances with ALI, affiliates and other related parties (entities under common control).

Receivables from and payables to related parties pertain mainly to rental income, management fees, advances, reimbursements of operating expenses, and intercompany lending, which are due and demandable. These are settled generally in cash, unless if otherwise indicated, at a gross basis.

Receivables from and payable to related parties as at December 31 are as follow:

	2024		2023		
	Transactions	Outstanding balances	Transactions	Outstanding balances	Terms and conditions
Finance lease receivables					
Entities under common control	1,162,028,271	**19,673,140,935**	450,832,306	**8,970,700,468**	Balances are due quarterly or annually. These are non-interest bearing and secured with the related investment properties (Notes 5 and 16).
Due from related parties					
Parent Company	48,715,642	529,184,080	207,704,444	439,653,075	Balances relating to trade receivables are due and demandable. These are interest and non-interest bearing, and unsecured. No impairment is recognized. The Company also provides interest-bearing loans to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 5.30% to 6.89% (2023 - 5.59% to 6.95%; 2022 - 1.74% to 5.28%) per annum
Affiliates	175,634,469	1,932,449,494	412,421,593	3,112,196,210	
Other related parties	271,249,902	301,869,331	181,432,107	20,267,377	
		2,763,502,905		**3,572,116,662**	
Due to related parties					
Parent	682,556,290	588,810,099	333,492,586	394,088,299	Balances are due and demandable. These are non-interest bearing and unsecured.
Affiliates	1,398,718,139	1,318,019,607	902,390,414	985,400,924	
Other related parties	61,674,153	72,980,387	51,616,915	8,352,636	
		1,979,810,093		**1,387,841,859**	

b. Revenue from related parties

The revenue from the Parent Company, affiliates and other related parties pertains to rental income, interest income from finance lease and interest income from intercompany loans. There is no impairment on these related receivables.

Revenue for the years ended December 31 are as follows:

2024	Rental income	Interest income from Finance lease	Interest income from intercompany loans	Total
Parent	20,052,905	-	28,662,736	48,715,641
Affiliates	45,373,640	1,162,028,271	130,260,829	1,337,662,740
Other related parties	271,249,902	-	-	271,249,902
Total	336,676,447	1,162,028,271	158,923,565	1,657,628,283

2023	Rental income	Interest income from Finance lease	Interest income from intercompany loans	Total
Parent	200,877,454	-	6,826,990	207,704,444
Affiliates	290,753,538	450,832,306	121,668,055	863,253,899
Other related parties	181,432,107	-	-	181,432,107
Total	673,063,099	450,832,306	128,495,045	1,252,390,450

Cost and expenses for the years ended December 31 are as follows:

2024	Management fees	Rental expenses	Utility expenses	Contracted services	Interest expense	Total
Parent	-	488,689,339	-	-	62,011,753	550,701,092
Affiliates	665,869,545	87,119,455	529,611,871	35,092,814	-	1,317,693,685
Other related parties	-	-	54,042,369	-	-	54,042,369
Total	665,869,545	575,808,794	583,654,240	35,092,814	62,011,753	1,922,437,146

2023	Management fees	Rental expenses	Utility expenses	Contracted services	Interest expense	Total
Parent	-	273,112,761	-	-	60,379,825	333,492,586
Affiliates	478,181,878	95,252,841	308,626,471	20,329,224	-	902,390,414
Other related parties	-	-	51,616,915	-	-	51,616,915
Total	478,181,878	368,365,602	360,243,386	20,329,224	60,379,825	1,287,499,915

The following describes the nature of the material transactions of the Company with related parties as at December 31, 2024 and 2023:

- The Company provides interest-bearing loans to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 5.30% to 6.89% (2023 - 5.59% to 6.95%; 2022 - 1.74% to 5.28%) per annum.

- In 2019, the Company entered into a contract of lease with affiliates for the lease of building for a period of 39 years. The lease generally provides for (a) quarterly rent based on a fixed rate for the first five (5) years and (b) fixed rate plus a certain percentage of total revenue of the lessee for the remaining period of the lease term (Note 16).

  In 2021, the Company entered into a contract of lease with affiliates for lease of buildings for a term of 36 years. The lease generally provides for rates based on higher between the (a) fixed rent plus 6% of gross rental income or (b) minimum guaranteed rent and shall be subject to 3% escalation every three (3) years. (Note 16).

  In 2023 and 2024, the Company entered into a contract of lease with affiliates for lease of buildings for period of 25 years. The lease generally provides rates based on a fixed rent and shall be subject to an escalation rate of 2.5% per annum (Note 16).

  In 25 September 2024, the Company entered into a contract of lease with Giga Ace 8, Inc. for the lease of industrial land in Palauig Zambales for a period of 25 years. The lease generally provides rates based on a fixed rent and shall be subject to an escalation of 1.5% per annum.

- The Company entered into contracts of lease with ALI to occupy parcels of land where the Solaris, Teleperformance Cebu, Bacolod Ayala Northpoint, Vertis Offices, eBloc Towers 1 to 4, ACC Tower and Tech Tower buildings, One Ayala Office towers, and Glorietta 1 & 2 BPO are located. The lease generally provides for a monthly rent based on a certain percentage of gross rental Income (Note 16).

- On January 31, 2020, the Company entered into a contract of lease with ALI for the lease of land and building for a period of 34 years. The rent is payable at a fixed monthly rate, subject to 5% annual escalation rate (Note 16).

- Affiliates and other related parties of the Company provides energy and water distribution services to the Company.

- The Company entered into management contracts with affiliates to handle fund and property manager functions of the Company starting August 13, 2020. The fund management fee is computed based on 0.10% of deposited property value plus 3.5% of the earnings before interest, taxes, depreciation, and amortization (EBITDA) before deduction of fees payable to fund manager and property manager and after deducting interest expense on lease liabilities for the period, exclusive of VAT. While for property management fee, this is equivalent to 3% of gross rental income and interest income from finance lease per year plus 2% of EBITDA before deduction of fees payable to fund manager and property manager and after deducting interest expense from lease liabilities for the period, provided, that such fee shall not exceed 1% of the net asset value of the properties being managed (Note 15).

Cash in bank

The Company has cash in bank balance with the Bank of the Philippine Islands (BPI), an associate of AC, amounting to P36.68 million as at December 31, 2024 (2023 - P16.92 million). Interest income earned from these deposits for the year ended December 31, 2024 amounted to P0.29 million (2023 - P0.37 million; 2022 - P0.14 million).

Short-term debt

The Company has an outstanding short-term debt payable to BPI amounting to nil as at December 31, 2024 (2023 - P3.00 billion). Interest expense from short-term debt payable to BPI for the year ended December 31, 2024 amounted to P45.91 million (2023 - P1.38 million; 2022 - P1.56 million).

Compensation of key management personnel

The key management functions of the Company are handled by AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. which charge management fees for such services. See items (l) and (m). Thus, there is no additional key management personnel disclosure required on the Company's financial statements.

19 Critical accounting estimates and judgments

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

19.1 Critical judgments

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

Assessment of the Company being effectively a 'tax-free' entity (Note 17)

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

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

Determination of whether the Company is acting as a principal or an agent (Note 12)

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

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

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

Operating lease commitments - the Company as lessor (Note 12)

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

Finance lease commitments - the Company as lessor (Note 16)

The Company has entered into a lease agreement on the portion (composed of 18 floors stacked on top of the headquarters tower) of ANE building, a retail podium of The 30th building, the Vertis Mall, Glorietta Mall 1 and 2 Wings, Marquee Mall, Seda Lio, Greenbelt 3&5 malls, Holiday Inn, and Seda Ayala Center Cebu. The Company has determined, based on evaluation of the terms and arrangement, particularly on the economic life, that the Company has transferred substantially all the significant risks and rewards of ownership of these properties to the lessee and accounts for the agreements as finance lease.

Evaluation whether the acquired set of assets constitute a business (Note 5)

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

19.2 Critical estimates and assumptions

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

Provision for expected credit losses (ECL) of trade receivables (Note 3)

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

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

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

Evaluating impairment of non-financial assets carried at cost (Note 4)

The Company assesses at the end of each reporting period whether there is an objective evidence that the input VAT and CWT are no longer recoverable. In determining the recoverable amount of input VAT and CWT, management considers the probability of future transactions or events against which these accounts can be utilized, including adequacy of documentation for anticipated tax audits. Where the final outcome of these matters is different from the amounts that were initially recorded, the carrying amounts of input VAT and CWT are reduced and the amount of probable losses is recognized in profit or loss.

As at December 31, 2024 and 2023, management believes that it will be able to generate future transactions against which the input VAT can be utilized or in worst case scenario, file a claim for refund from tax authorities subject to potential tax audits where management can sustain the positions taken in their tax returns.

The allowance for probable losses on CWT is based on reasonably possible recoverable amount based on historical experience of the Company and its related parties.

Valuation of investment properties held at fair value (Note 5)

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

The fair values of investment properties have been determined using Discounted Cash Flows (DCF) Method (level 3). The significant unobservable input used in the fair value measurement as at December 31, 2024 and 2023 are shown below:

Significant unobservable input	Rate	Sensitivity of the input to fair value
Discount rate	2024: 7.88% - 9.78% 2023: 9.51%	Increase (decrease) in the discount rate would decrease (increase) the fair value
Growth rate	2024: 1.50% - 4.00% 2023: 2.00% - 4.00%	Increase (decrease) in the growth rate would increase (decrease) the fair value

20 Financial risk, capital management, and fair value measurement

20.1 Financial risk management

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 market, credit, 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 the Company's listing, ALI's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company. Effective August 13, 2020, AREIT Fund Manager's, Inc. handles fund manager functions of the Company (Note 18).

20.1.1 Market risk

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk includes foreign currency risk, interest rate risk, and other price risks.

Foreign currency risk

The Company has no financial assets and liabilities denominated in foreign currencies and, therefore, it has no exposure to foreign currency risk.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Cash in banks do not have significant exposure to cash flow interest rate risk as they are subject to minimal interest. Finance lease receivables, due from related parties, and lease liabilities do not have significant exposure to cash flow interest rate risk as such are subject to fixed interest rates. The Company has no financial assets carried at fair value and, therefore, it has no exposure to fair value interest rate risk.

Price risk

The Company has no exposure to price risk as its financial assets are measured at amortized cost.

20.1.2 Credit risk

Credit risk refers to 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 receivables 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 finance lease and trade receivables, the maximum exposure to credit risk of all financial assets is equal to their carrying amounts.

The Company's maximum exposure to credit risk as at December 31 is equal to the carrying values of its financial assets, except for finance lease and trade receivables under "Receivables" in the statement of financial position:

	2024		
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure
Cash in banks	70,940,948	-	70,940,948
Receivables			
Finance lease receivables	19,673,140,935	24,100,080,159	-
Due from related parties	2,763,502,905	-	2,763,502,905
Trade receivables	1,475,918,230	1,598,397,298	-
Other receivables	2,866,119	-	2,866,119
Recoverable deposits	24,192,597	-	24,192,597
	24,010,561,734	25,698,477,457	2,861,502,569

	2023		
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure
Cash in banks	41,526,046	-	41,526,046
Receivables			
Finance lease receivables	8,970,700,468	8,970,700,468	-
Due from related parties	3,572,116,662		3,572,116,662
Trade receivables	764,788,173	1,580,476,636	-
Other receivables	2,349,543	-	2,349,543
Recoverable deposits	14,764,815	-	14,764,815
	13,366,245,707	10,551,177,104	3,630,757,066

The aging analysis of the Company's receivable presented per class as at December 31 follows:

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
2024							
Finance lease receivables	19,673,140,935					-	19,673,140,935
Due from related parties	1,375,080,681	63,696,023	21,677,746	47,014,482	1,256,033,973	-	2,763,502,905
Trade receivables - billed	2,341,584	290,907,532	110,871,983	158,259,446	764,834,351	148,703,334	1,475,918,230
Total	21,050,563,200	354,603,555	132,549,729	205,273,928	2,020,868,324	148,703,334	23,912,562,070

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
2023							
Finance lease receivables	8,970,700,468	-	-	-	-	-	8,970,700,468
Due from related parties	2,595,604,000	44,799,033	15,246,510	33,066,481	883,400,638	-	3,572,116,662
Trade receivables - billed	1,349,304	251,609,006	196,782,679	127,578,629	70,219,170	117,249,385	764,788,173
Total	11,567,653,772	296,408,039	212,029,189	160,645,110	953,619,808	117,249,385	13,307,605,303

The Company considers the following credit quality classification:

- Stage 1 are considered to be neither past due nor impairment;
- Stage 2 are considered to be past due but not impaired; and
- Stage 3 are considered to be impaired.

(a) Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. ECL related to trade receivables is minimal given its low credit risk and the receivables are generally covered by security deposits.

As at December 31, 2024, the allowance for credit losses of trade receivables amounts to P148.70 million (2023 - P117.25 million) (Note 3).

(b) Cash in banks

As at December 31, 2024 and 2023, the ECL relating to cash in banks is minimal as these are considered as low credit risk.

(c) Finance lease receivables

The Company has applied the simplified approach and has calculated allowance for credit losses based on lifetime ECL for finance lease receivables. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

As at December 31, 2024 and 2023, the ECL related to the Company's finance lease receivables is minimal given that the receivable is fully covered by the value of the underlying asset (as title to the asset is not transferred to the lessee) in the event of default by the counterparty, and the counterparties are generally of good credit standing.

(d) Due from related parties

As at December 31, 2024 and 2023, the Company did not provide any allowance relating to due from related parties since there is no history of default payments. This assessment is undertaken each financial year through examination of the financial position of the related parties and the markets in which the related parties operate.

20.1.3 Liquidity risk

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

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

The Company's cash is maintained at a level that will enable it to fund its operations as well as to have additional funds as buffer for any opportunities or emergencies that may arise. To manage the Company's liquidity, credit line facilities with designated local banks, as approved by the Board of Directors, were obtained. The Company's available credit line with various local banks as at December 31, 2024 is P23.5 billion (2023 - P23.00 billion). The Company may also refinance its loans and manage payment terms for its payables.

The tables below summarize the maturity profile of the Company's financial instruments as at December 31 based on contractual undiscounted payments:

	2024			
	< 1 year	1 to 5 years	> 5 years	Total
Financial assets				
Cash in banks	70,940,948	-	-	70,940,948
Receivables				
Finance lease receivables	1,491,049,823	6,294,303,937	41,067,339,616	48,852,693,376
Due from related parties	2,763,502,905	-	-	2,763,502,905
Trade receivables*	1,327,214,896	-	-	1,327,214,896
Recoverable deposits	24,192,597	-	-	24,192,597
	5,676,901,169	6,294,303,937	41,067,339,616	53,038,544,722
Financial liabilities				
Accounts and other payables				
Due to related parties	1,979,810,093	-	-	1,979,810,093
Accounts payable	817,595,440	-	-	817,595,440
Accrued expenses	74,514,727	-	-	74,514,727
Retention payable	5,952,197	-	-	5,952,197
Interest payable	3,422,222	-	-	3,422,222
Short-term debt	2,000,000,000	-	-	2,000,000,000
Security deposits	486,110,365	1,029,827,954	451,303,782	1,967,242,101
Lease liabilities	56,204,119	249,981,290	3,951,183,259	4,257,368,668
Construction bonds	138,143,467	-	-	138,143,467
	5,561,752,630	1,279,809,244	4,402,487,041	11,244,048,915
Net liquidity (gap) position	115,148,539	5,014,494,693	36,664,852,575	41,794,495,807

** Net of allowance for ECL*

	2023			
	< 1 year	1 to 5 years	> 5 years	Total
Financial assets				
Cash in banks	41,526,046	-	-	41,526,046
Receivables				
Finance lease receivables	915,109,665	2,783,123,097	19,286,270,607	22,984,503,369
Due from related parties	3,597,384,191	-	-	3,597,384,191
Trade receivables*	647,538,788	-	-	647,538,788
Recoverable deposits	14,764,815	-	-	14,764,815
	5,216,323,505	2,783,123,097	19,286,270,607	27,285,717,209
Financial liabilities				
Accounts and other payables				
Due to related parties	1,387,841,859	-	-	1,387,841,859
Accounts payable	375,385,620	-	-	375,385,620
Accrued expenses	159,071,661	-	-	159,071,661
Retention payable	2,464,208	-	-	2,464,208
Interest payable	-	-	-	
Short-term debt	3,014,933,333	-	-	3,014,933,333
Security deposits	479,326,477	873,122,113	555,373,066	1,907,821,656
Lease liabilities	53,730,251	226,853,493	4,017,826,924	4,298,410,668
Construction bonds	95,692,253	-	-	95,692,253
	5,568,445,662	1,099,975,606	4,573,199,990	11,241,621,258
Net liquidity (gap) position	(352,122,157)	1,683,147,491	14,713,070,617	16,044,095,951

** Net of allowance for ECL*

20.2 Capital management

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

The Company's sources of capital as at December 31 follow:

	2024	2023
Paid-up capital	32,771,959,550	24,359,365,430
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	56,368,354,602	36,320,032,381
Retained earnings	24,903,508,070	23,403,738,698
	113,370,522,522	83,409,836,809

There are no changes made in the Company's capital management objectives, policies or processes.

Loan covenants

As at December 31, 2024 and 2023, the Company is not subject to any externally imposed capital requirements from debt covenant.

REIT Act - Aggregate Leverage Limit

The Company is subject to externally imposed capital requirements consistent with the requirement of the REIT Act section 8.10, *Aggregate Leverage Limit*. In 2024 and 2023, the Company is compliant with its debt covenants and requirements of the REIT Act.

Distributable Income under the IRR of REIT Act of 2009

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

The computation of distributable income as presented by the management of the Company for the years ended December 31 follows:

	2024	2023	2022
Net income	7,317,064,621	5,030,544,039	2,887,563,036
Unrealized gain:			
Net fair value loss (gain) on investment properties	43,374,600	(99,254,883)	548,953,984
Straight-lining adjustments recorded in rental income	(473,104,893)	(86,563,721)	17,813,632
Distributable income	6,887,334,328	4,844,725,435	3,454,330,652

For each of the years ended December 31, 2024, 2023 and 2022, the Company is compliant by declaring 90% of its distributable income as dividends. Dividend declarations are disclosed in Note 11.

20.3 Fair value measurement

The Company follows the fair value measurement hierarchy to disclose the fair value measurements of its financial instruments. The table below summarizes the fair value measurement of the Company's assets and liabilities at December 31, all of which are under Level 3 in the fair value hierarchy:

	2024		2023	
	Carrying value	Fair value	Carrying value	Fair value
Finance lease receivables	19,673,140,935	23,340,972,955	8,970,700,468	10,470,115,115
Lease liabilities	1,248,290,844	1,442,910,420	1,216,810,735	1,415,307,693
Security deposits	1,776,006,705	1,641,789,987	1,667,515,060	1,580,476,636

As at December 31, 2024 and 2023, the Company has no financial instrument measured at fair value. In 2024 and 2023, 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 carrying values of the other financial instruments of the Company as at December 31, 2024 and 2023 approximate their fair values due to the short-term nature of the transactions.

21 Basic and diluted earnings per share

The Company's earnings per share for the years ended December 31 is computed as follows:

	2024	2023	2022
Net income	7,317,064,621	5,030,544,039	2,887,563,036
Weighted average number of common shares	2,789,236,279	1,932,495,456	1,510,292,379
Basic and diluted earnings per share	2.62	2.60	1.91

The Company also assessed that there were no potential dilutive common shares in 2024, 2023, and 2022.

22 Segment reporting

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

The Company's operations on its four parcels of land, nine condominium units, fourteen stand-alone buildings, and five mixed used properties are its only income-generating activity, and such is the measure used by management in allocating resources.

There were no revenue transactions with external customers which accounted for 10% or more of the total revenues for the year ended December 31, 2023 (2022 - two external customers amounting to P395.04 million and P263.52 million, respectively; 2021 - two external customers amounting to P376.67 million and P253.04 million, respectively).

23 Notes to statement of cash flows

Disclosed below is the roll forward of liabilities under financing activities:

For the year ended December 31, 2024

	January 1, 2024	Cash flows	Other changes	December 31, 2024
Short-term and long-term debt (a)	3,000,000	(1,000,000)	-	2,000,000
Lease liabilities (b)	1,216,810,735	(55,230,077)	86,710,186	1,248,290,844
Interest payable (b)	-	(167,123,540)	170,545,762	3,422,222
Total liabilities from financing activities	1,219,810,735	(223,353,617)	257,255,948	1,253,713,066

Other changes pertain to:
(a) Amortization of bond issue costs
(b) Interest expense and other charges

For the year ended December 31, 2023

	January 1, 2023	Cash flows	Other changes	December 31, 2023
Short-term and long-term debt (a)	3,277,693,930	(300,000,000)	22,306,070	3,000,000,000
Lease liabilities (b)	1,186,580,358	(53,896,170)	84,126,547	1,216,810,735
Interest payable (b)	898,625	(94,843,339)	93,944,714	-
Total liabilities from financing activities	4,465,172,913	(448,739,509)	200,377,331	4,216,810,735

Other changes pertain to:
(a) Amortization of bond issue costs
(b) Interest expense

For the year ended December 31, 2022

	January 1, 2022	Cash flows	Other changes	ecember 31, 2022
Short-term debt (a and b)	890,000,000	(590,000,000)	2,977,693,930	3,277,693,930
Lease liabilities (c)	1,153,980,830	(49,232,653)	81,832,181	1,186,580,358
Long-term debt (b and c)	2,957,472,367	-	(2,957,472,367)	-
Interest payable (b and c)	905,750	(100,256,144)	100,249,019	898,625
Total liabilities from financing activities	5,002,358,947	(739,488,797)	202,302,763	4,465,172,913

Other changes pertain to:
(a) Amortization of bond issue costs
(b) Reclassification from long-term debt to short-term debt
(c) Interest expense

The Company's non-cash investing and financing activities are as follows:

Investing/Financing

- Addition in investment properties amounting to P28,602.82 million related to the property-for-share swap agreement for the year ended December 31, 2024 (2023 - P22,479.70 million; 2022 - P11,257.89 million) (Notes 5 and 16). The Company has issued capital stock in exchange for these properties amounting to P8,412.59 million (2023 - P6,075.59 million; 2022 - P2,521.36 million), with additional paid in capital of P20,190.23 million (2023 - P16,404.10 million; 2022 - P11,257.89 million) (Note 11).

- Decrease in fair value of investment properties, gross of lease commissions and straight-line adjustment, amounted to P43.37 million for the year ended December 31, 2024 (2023 - increase of P201.35 million; 2022 - decrease of P544.18 million) (Note 5).

24 Events after the end of the reporting period

On February 19, 2025, the Board of Directors of the Company, at its regular meeting, approved the declaration of cash dividends of P0.58 per outstanding common share for the fourth quarter of 2024. The cash dividends amounting to P1,861.72 million will be payable on March 21, 2025 to stockholders on record as at March 5,2025.

On February 19, 2025, the Board of Directors approved the acquisition of commercial properties located in Cebu, Davao, and Cagayan de Oro from Ayala Land, Inc., and subsidiaries, Accendo Commercial Corp. (Accendo), Cagayan de Oro Gateway Corp. (CDOGC), and Central Bloc Hotel Ventures, Inc. (CBHVI). The Board approved a property- for-share swap transaction with a transaction value of P20.99 billion at exchange price of P41.50 per share, subject to the approval of the Company's shareholders on April 24, 2025.

25 Summary of material accounting policies

25.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with PFRS Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards
- PAS Standards; and
- interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

Basis of measurement

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

The preparation of financial statements in conformity with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the Company. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 19.

The financial statements have been prepared under the going concern assumption.

Functional and presentation currency

The financial statements of the Company are presented in Philippine Peso. All amounts are rounded off to the nearest Philippine Peso unless otherwise stated.

25.2 Adoption of amended accounting standards and interpretation

(a) Amendments to existing standards adopted by the Company effective January 1, 2024

The following amendments to existing standards have been adopted by the Company effective January 1, 2024:

- PAS 1, *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants)*

  Amendments made to PAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

  The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

  - the carrying amount of the liability
  - information about the covenants, and
  - facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

  The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

  The amendments has been applied retrospectively in accordance with the normal requirements in PAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

- Amendments to PFRS 16*, 'Lease Liability in a Sale and Leaseback'*

  The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right-of-use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

There are no other new standards, interpretations and amendments to existing standards effective January 1, 2023 that are considered to be relevant or have a material impact on the Company's financial statements.

(b) Amendments to existing standards not yet effective and not early adopted by the Company

The following amendments to existing standards are not mandatory for December 31, 2024 reporting period and have not been early adopted by the Company:

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to PFRS 9 and PFRS 7 *(Effective beginning on or after January 1, 2026)*

  On May 30, 2024, the IASB issued targeted amendments to PFRS 9 and PFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:
  - clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cashflows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

- PFRS 18 Presentation and Disclosure in Financial Statements *(Effective beginning on or after January 1, 2027)*

  PFRS 18 will replace PAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

  Management is currently assessing the detailed implications of applying the new standard on the Company's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

  - Although the adoption of PFRS 18 will have no impact on the Company's net profit, the Company expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Company has performed, the following items might potentially impact operating profit:
  - Foreign exchange differences currently aggregated in the line item 'other income and other gains/(losses) - net' in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.
  - PFRS 18 has specific requirements on the category in which derivative gains or losses are recognised - which is the same category as the income and expenses affected by the risk that the derivative is used to manage. Although the Company currently recognises some gains or losses in operating profit and others in finance costs, there might be a change to where these gains or losses are recognised, and the Company is currently evaluating the need for change.

  The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation. In addition, since goodwill will be required to be separately presented in the statement of financial position, the Company will disaggregate goodwill and other intangible assets and present them separately in the statement of financial position.

  The Company does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
  - management-defined performance measures;
  - a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss – this break-down is only required for certain nature expenses; and
  - for the first annual period of application of PFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying PFRS 18 and the amounts previously presented applying PAS 1.

  From a cash flow statement perspective, there will be changes to how interest received and interest paid are presented. Interest paid will be presented as financing cash flows and interest received as investing cash flows, which is a change from current presentation as part of operating cash flows.

  The Company will apply the new standard from its mandatory effective date of January 1, 2027.

Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

There are no other new standards, interpretations and amendments to existing standards not yet effective as at December 31, 2024 reporting period that are considered to be relevant or have a material impact on the Company's financial statements.

25.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

25.3.1 Financial assets

Initial recognition and measurement

The Company's financial assets are classified, at initial recognition, as subsequently measured at amortized cost.

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

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

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

Subsequent measurement - Financial assets at amortized cost (debt instruments)

The Company's financial assets at amortized cost are classified as such if both of the following conditions are met:

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

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

25.3.2 Financial liabilities

Initial recognition and measurement

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

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

The Company's interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as Interest expense and other charges in profit or loss.

25.3.3 Derecognition of financial instruments

Financial asset

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

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

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

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

Financial liability

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

25.3.4 Impairment of financial assets

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

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

For receivables (comprising trade, finance lease, due from related parties and other receivables), the Company applies a simplified approach in calculating ECL. Therefore, the Company recognizes a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 180 days past due since security deposits and advance rentals are equivalent to 90 days each which are paid at the start of the lease term which will cover any default. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

25.4 Fair value measurement

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

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

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

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

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

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

Fair value hierarchy

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

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

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

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

25.5 Investment properties

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

Investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by management and independent valuation experts based on the "income approach". Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. In determining the carrying amount of investment property under the fair value model, the Company does not double-count assets or liabilities that are recognized as separate assets or liabilities such as accrued rental income and lease commitments. Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

The Company recognizes property-for-share swap transactions as share-based payment transactions under PFRS 2, '*Share based payments'*. The property received is measured at its fair value at the date of acquisition. The relevant shares issuance recorded in paid-up capital is measured at par value, while the excess of fair value over par value is recognized as additional paid-in capital.

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

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the PAS 16, *Property, plant and equipment*, up to the date of change in use.

25.6 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that other current assets and other non-current assets may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount.

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

25.7 Equity

Paid-up capital and APIC

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

When the shares are sold at premium, the difference between the proceeds and the par value is credited to APIC.

Share issuance costs

Share issuance costs are incremental costs directly attributable to the issuance or subscription of new shares which are shown in equity as a deduction of APIC. If APIC is not sufficient, the excess is charged against retained earnings.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

25.8 Revenue recognition

The Company is in the business of leasing its investment property portfolio. The Company’s non-lease performance obligations include common area management and administration of utility services. Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or an agent.

Dues

Dues are recognized when the related services are rendered. The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and CUSA charges like maintenance, janitorial and security services. Revenue from electricity and water is recognized at a net basis as the Company is acting as an agent, while revenue from CUSA and air conditioning charges is recognized at a gross basis as the Company is acting as principal.

Disaggregated revenue information

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

Allocation of transaction price to performance obligation

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

Timing of revenue recognition

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

25.9 Income outside the scope of PFRS 15

Rental income

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

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

Interest income

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

25.10 Costs and expenses

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

25.11 Leases

The Company as lessor - operating lease

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

The Company as lessor - finance lease

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

The Company as lessee

(a) Right-of-use asset

The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable and linked to the future performance or use of an underlying asset. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life or the lease term. The Company accounts for right-of-use assets using the fair value model in accordance with the policy as stated under investment properties. Right-of-use assets are subject to impairment.

(b) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

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

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

25.12 Income tax

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

25.13 Earnings per share

Basic earnings per share (EPS) is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

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

25.14 Segment reporting

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

25.15 Comparative information

Certain reclassifications have been made in the prior year to confirm to the current year’s presentation. This did not affect the total assets, liabilities, equity and net income that were previously reported.

26 Report on the supplementary information required by the BIR

Below is the additional information required by Revenue Regulations (RR) No. 15-2010 that is relevant to the Company. This information is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements.

(a) Output VAT and input VAT

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

The Company is a VAT-registered entity with VAT output declaration of P678.86 million for the year ended December 31, 2024 based on the vatable sales amounting to P5,657.19 million. Zero-rated sales amounted to P6,442.35 million.

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

Movements in input VAT for the year ended December 31, 2024 follow:

	Amount
At January 1, 2024	1,300,452,438
Capital goods not subject to amortization	148,684,636
Input tax on depreciable capital goods not attributable to any specific activity	144,344,101
Domestic purchases/payments for:	
Domestic purchases of services	305,913,434
Purchase of goods other than capital goods	8,922,624
Total input VAT	1,908,317,233
Less: Balance applied against output VAT	(678,863,186)
At December 31, 2024	1,229,454,047

(b) Documentary stamp tax

Documentary stamp taxes paid for the year ended December 31, 2024 amounted to P91.70 million, which pertains to the issuance of new shares and lease contracts of various tenants.

(c) All other local and national taxes

All other local and national taxes accrued and paid for the year ended December 31, 2024 consist of:

	Amount
Real property tax	480,453,848
Business permit	152,153,911
Fire permit	1,463,355
Community tax	10,500
BIR annual registration	-
Others	24,224,423
	658,306,037

All other taxes, local and national, including real estate taxes, licenses and permit fees are presented as part of "Taxes and licenses" under Direct operating expenses and General and administrative expenses in the statement of total comprehensive income.

(d) Withholding taxes

The amount of withholding taxes paid and accrued for the year ended December 31, 2024 follows:

	Total remittances	Withholding taxes payable	Total
Expanded withholding taxes	115,531,739	59,033,980	174,565,719
Final withholding taxes	95,264,769	26,089,755	121,354,524
	210,796,508	85,123,735	295,920,243

Total remittances pertain to tax payments made for the reporting period covering January 2024 to November 2024. The outstanding withholding taxes payable, included in Taxes payable under “Accounts and other payables” in the statement of financial position, as at December 31, 2024 represents the withholding taxes for the month of December 2024 which were remitted in January 2025.

(e) Taxes on importation

The Company has not made any importations in 2024.

(f) Excise tax

The Company has no transactions subject to excise tax in 2024.

(g) Tax assessments and cases

There are no outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of the BIR as at December 31, 2024.

AREIT, Inc.

Index to Financial Statements and Supplementary Schedules
As at December 31, 2024

Supplementary Schedules Required by Annex 68-J

Other Supporting Schedules

AREIT, Inc.

Schedule A - Financial Assets
As at December 31, 2024
(All amounts in Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of financial assets	Amounts shown in the statement of financial position	Income received and accrued
Cash in bank*			
Bank of the Philippine Islands	36,679,235	36,679,235	288,346
Deutsche Bank	34,261,713	34,261,713	14,653,014
	70,940,948	70,940,948	14,941,360
Short term investments	-	-	628,228
Receivables**			
Finance lease receivables	19,673,140,935	19,673,140,935	1,162,028,271
Due from related parties	2,763,502,905	2,763,502,905	158,923,565
Trade receivables - billed	1,475,918,230	1,475,918,230	-
Other receivables	2,866,119	2,866,119	-
	23,915,428,189	23,915,428,189	1,320,951,836
	23,986,369,137	23,986,369,137	1,336,521,424

* See Note 2 to the financial statements.
** See Note 3 to the financial statements.

AREIT, Inc.

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)
As at December 31, 2024

Name and designation of debtor	Balance at the beginning of the period	Additions	Deductions		Current	Non-current	Balance at the end of the period
			Amounts collected	Amounts written-off			
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

AREIT, Inc.

Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
As at December 31, 2024

Name and designation of debtor	Balance at the beginning of the period	Additions	Deductions		Current	Non-current	Balance at the end of the period
			Amounts collected	Amounts written-off			
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

AREIT, Inc.

Schedule D - Supplementary Schedule of Long-Term Debt
As at December 31, 2024

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long-term debt” in related Statement of Financial Position	Amount shown under caption “Long-term debt” in related Statement of Financial Position
N/A	N/A	N/A	N/A

AREIT, Inc.

Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
As at December 31, 2024

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

AREIT, Inc.

Schedule F - Guarantees of Securities of Other Issuers
As at December 31, 2024

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

AREIT, Inc.

Schedule G - Capital Stock
As at December 31, 2024

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related Statement of Financial Position caption	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by related parties	Number of shares held by directors, officers, and employees	Others
Common	4,050,000,000	3,209,865,985	-	1,977,109,078	7	-
Total	4,050,000,000	3,209,865,985	-	1,977,109,078	7	-

See Note 11 to the financial statements.

AREIT, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2024
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, beginning of the year		5,623,568,552
Add: Category A: Items that are directly credited to Unappropriated retained earnings		
Reversal of retained earnings appropriation/s	-	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	-
Less: Category B: Items that are directly debited to Unappropriated retained earnings		
Dividend declaration during the reporting period	5,817,295,249	
Retained earnings appropriated during the reporting period	-	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	(5,817,295,249)
Unappropriated Retained Earnings, as adjusted		(193,726,697)
Add/Less: Net income (loss) for the current year		7,317,064,621
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs (describe nature)	-	-

(continued)

Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs	-	-
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs, previously recorded (describe nature)	-	-
Adjusted net income		7,123,337,924
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		-
Unrealized fair value loss of investment property		43,374,600
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	-

(continued)

AREIT, Inc.
Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2024

Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others (straight-lining adjustments recorded in rental income)	473,104,893	(473,104,893)
Total Retained Earnings, end of the year available for dividend declaration		6,693,607,631

AREIT, Inc.

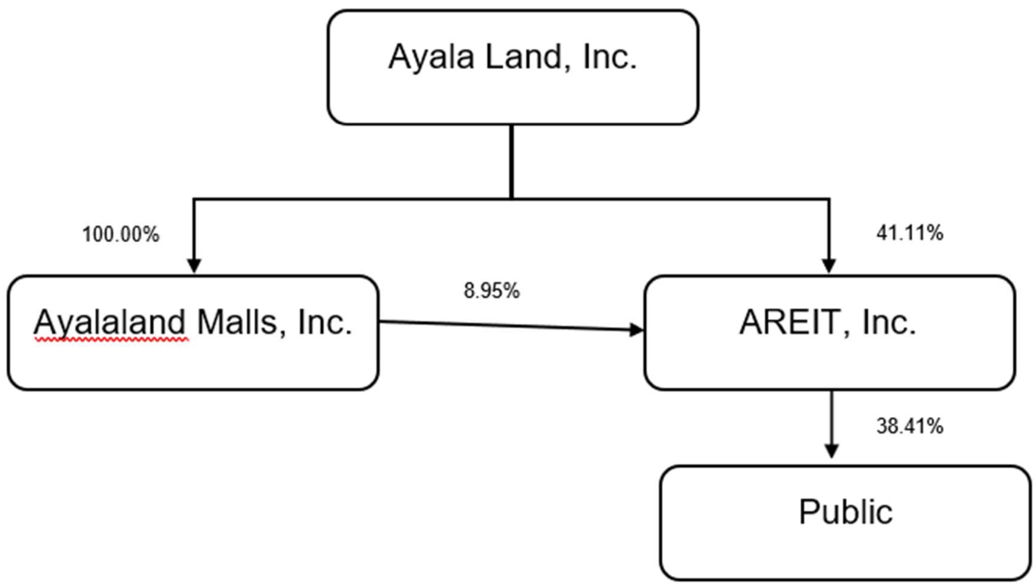
Financial Soundness Indicators
As at December 31, 2024
(With comparative figures as at December 31, 2022 and 2021)
(All amounts are in Philippine Peso, unless otherwise stated)

Ratio	Formula		2024	2023	2022
A. Current and liquidity ratios					
1. Current ratio	Total current assets	4,557,171,311	0.83	0.80	0.43
	Divided by: Total current liabilities	5,506,434,066			
	Current ratio	0.83			
2. Acid test ratio	Total current assets	4,557,171,311	0.76	0.77	0.39
	Less: Other current assets	(348,036,017)			
	Quick assets	4,209,135,294			
	Divided by: Total current liabilities	5,506,434,066			
	Acid test ratio	0.76			
B. Solvency ratio	Net income	7,317,064,621	3.66	1.68	0.88
	Add: Depreciation	290,415			
	Net income before depreciation	7,317,355,036			
	Divided by: Total debts*	2,000,000,000			
	Solvency ratio`	3.66			
C. Debt-to-equity ratio	Total debts	2,000,000,000	0.02	0.04	0.05
	Divided by: Total equity	113,370,522,522			
	Debt-to-equity ratio	0.02			
D. Asset-to-equity ratio	Total assets	123,222,682,941	1.09	1.12	1.13
	Divided by: Total equity	113,370,522,522			
	Asset-to-equity ratio	1.09			
E. Interest rate coverage ratio	EBITDA**	7,508,456,152	23.51	21.25	15.71
	Divided by: Interest expense	319,328,672			
	Interest rate coverage ratio	23.51			
F. Profitability ratios					
1. Return on assets (%)	Net income	7,317,064,621	7%	6%	5%
	Divided by: Average total assets	108,247,487,696			
	Return on assets (%)	7%			
2. Return on equity (%)	Net income	7,317,064,621	7%	7%	5%
	Divided by: Average total equity	98,390,179,666			
	Return on equity (%)	7%			
3. Net profit margin	Net income	7,317,064,621	0.71	0.70	0.57
	Divided by: Total revenues	10,259,166,947			
	Net profit margin	0.71			

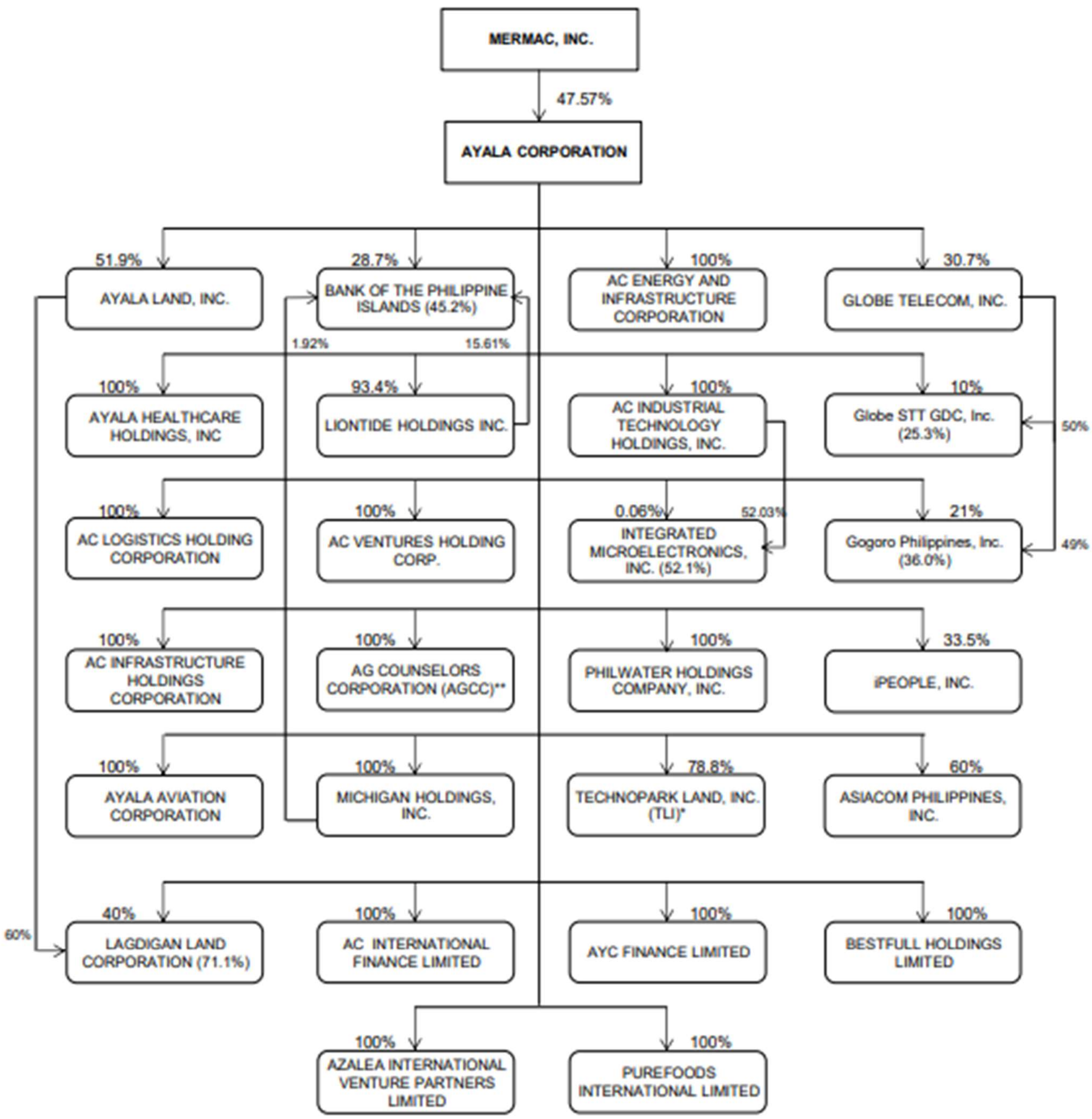
** Total debts includes short-term debt, long-term debt, and current portion of the long-term debt*
*** EBITDA refers to earnings before interest expense and other charges, taxes, and depreciation, and excludes net fair value change in investment properties, interest income, non-recurring gain under finance lease and other income*

AREIT, Inc.

Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2024



AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2024

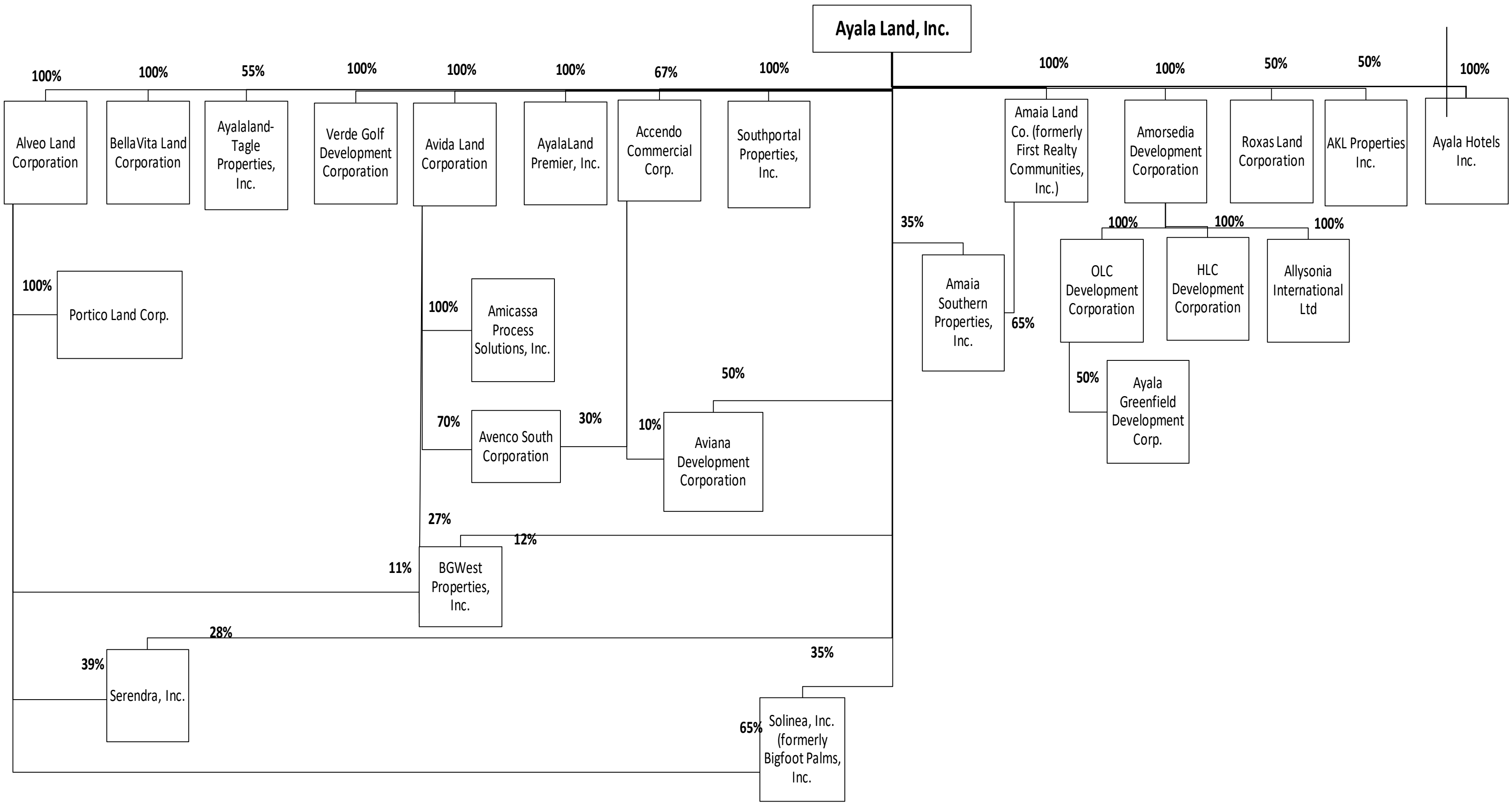


Legend:
% of ownership appearing outside the box - direct % of economic ownership
% of ownership appearing inside the box - effective % of economic ownership

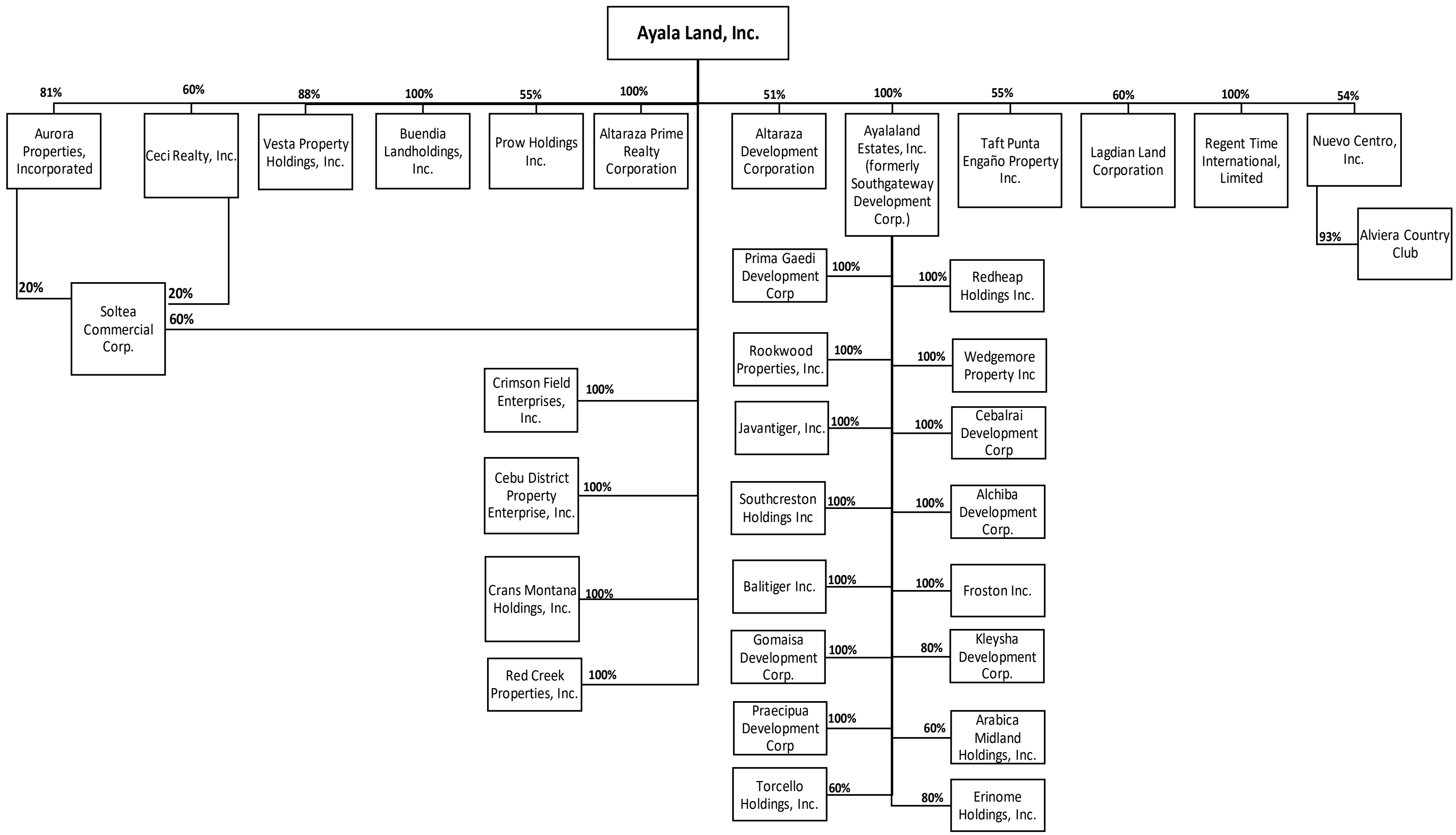
**On December 10, 2021, the BOD and stockholders of TLI approved the plan to shorten its corporate term to June 30, 2023. On December 23, 2021, the SEC approved the amendment of the Fourth Article of the Articles of Incorporation to shorten the corporate term to June 30, 2023. It is anticipated that it will not carry out any significant business operation or activity until approval of closure from other regulatory bodies.*

***On January 6, 2025, the SEC approved the amendment to AGCC's AOI including (1) the change of its corporate name to ACX Holdings Corporation, and (2) the change in its business from a business of advisory, consultancy assistance and other allied services, into a holding company with principal business interest in the consumer retail space.*

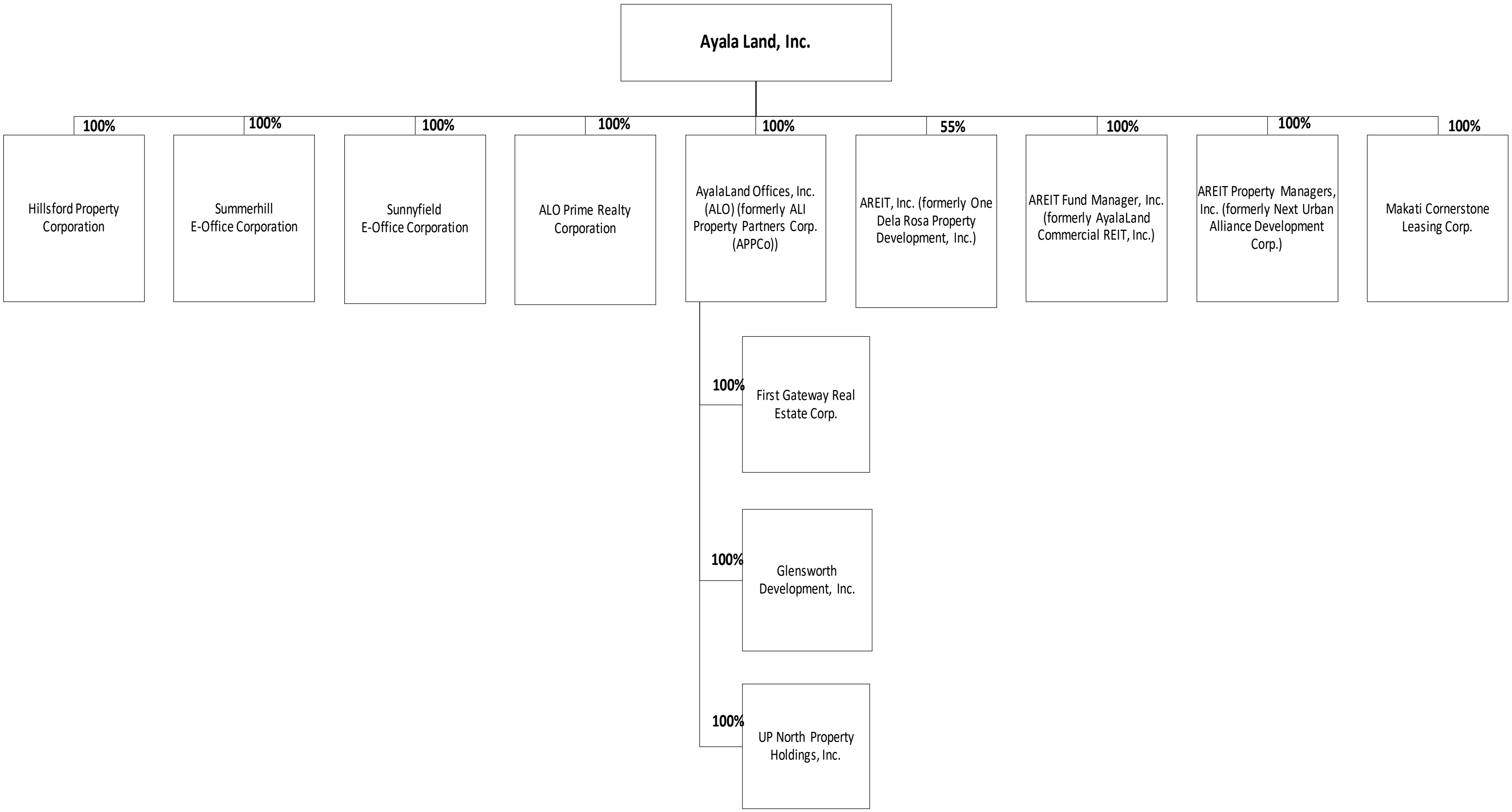
AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2024



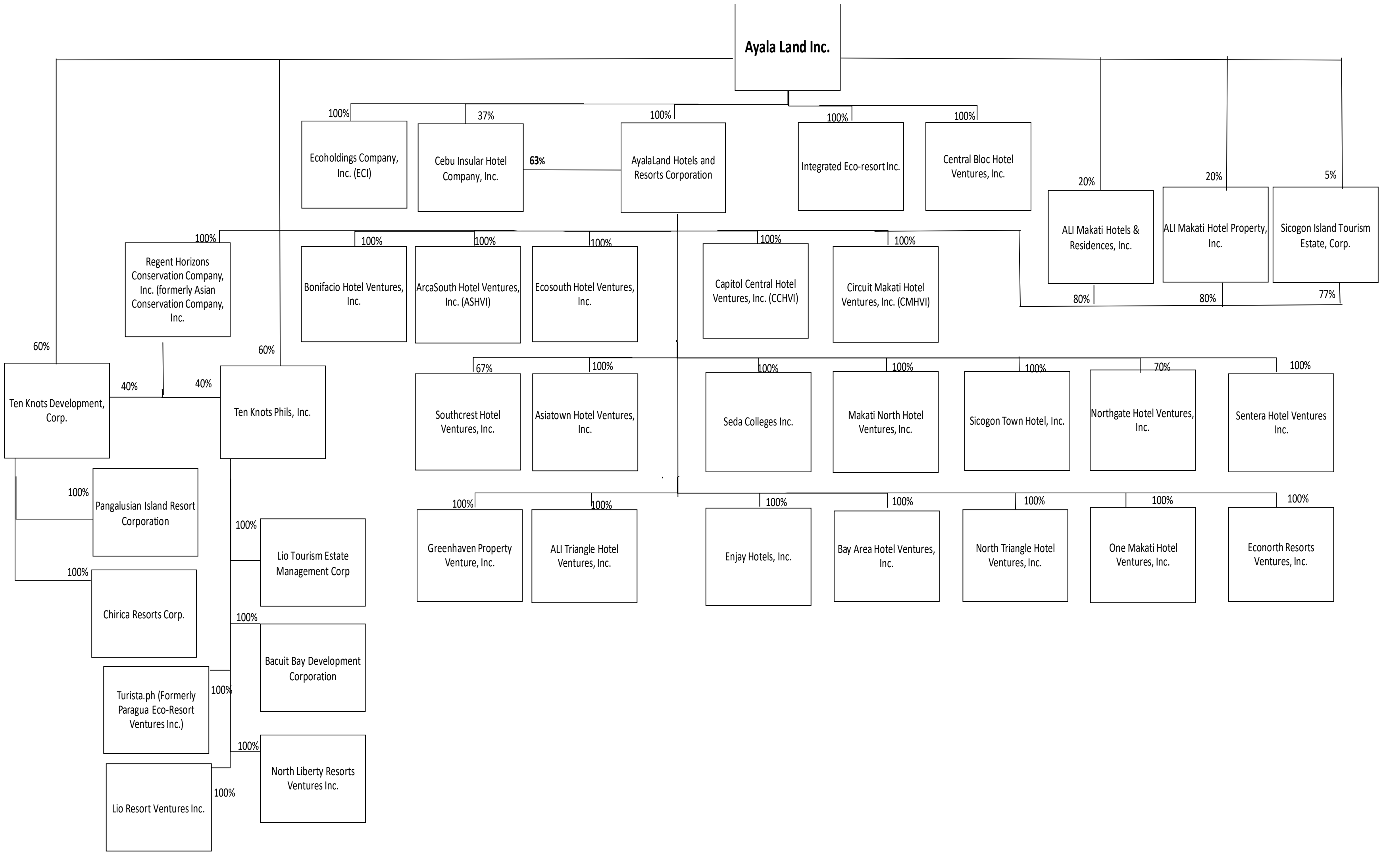
AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2024



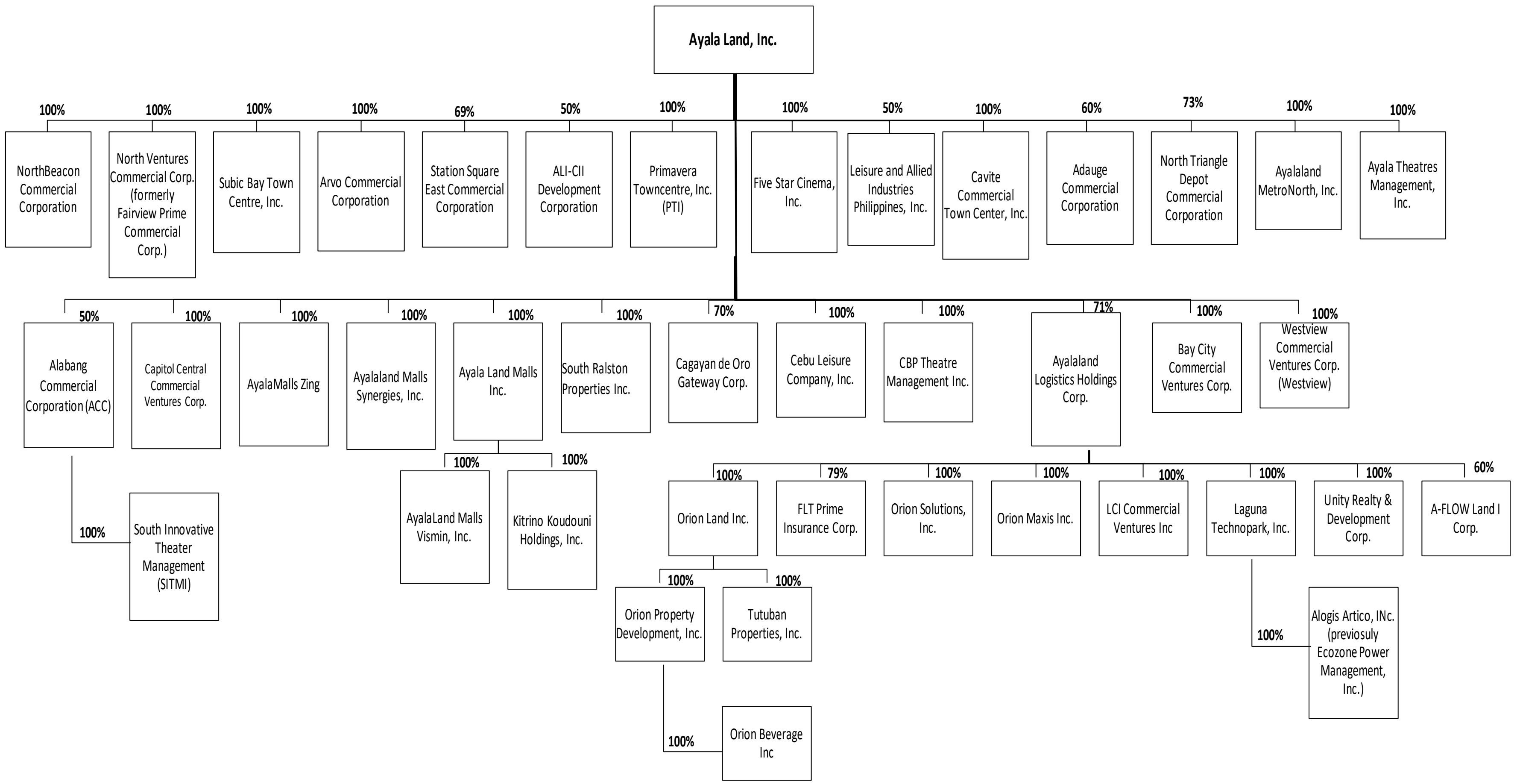
AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2024



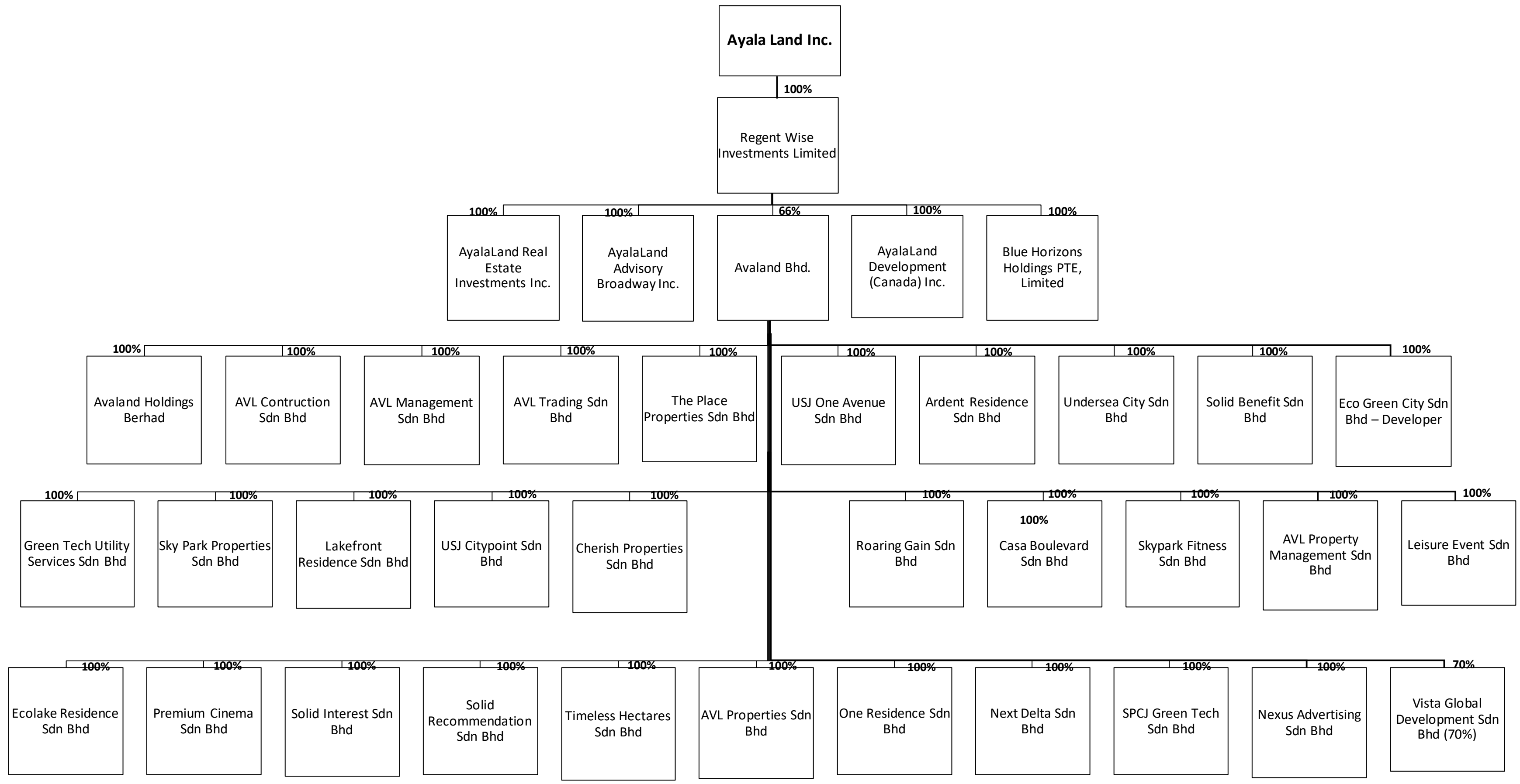
AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2024



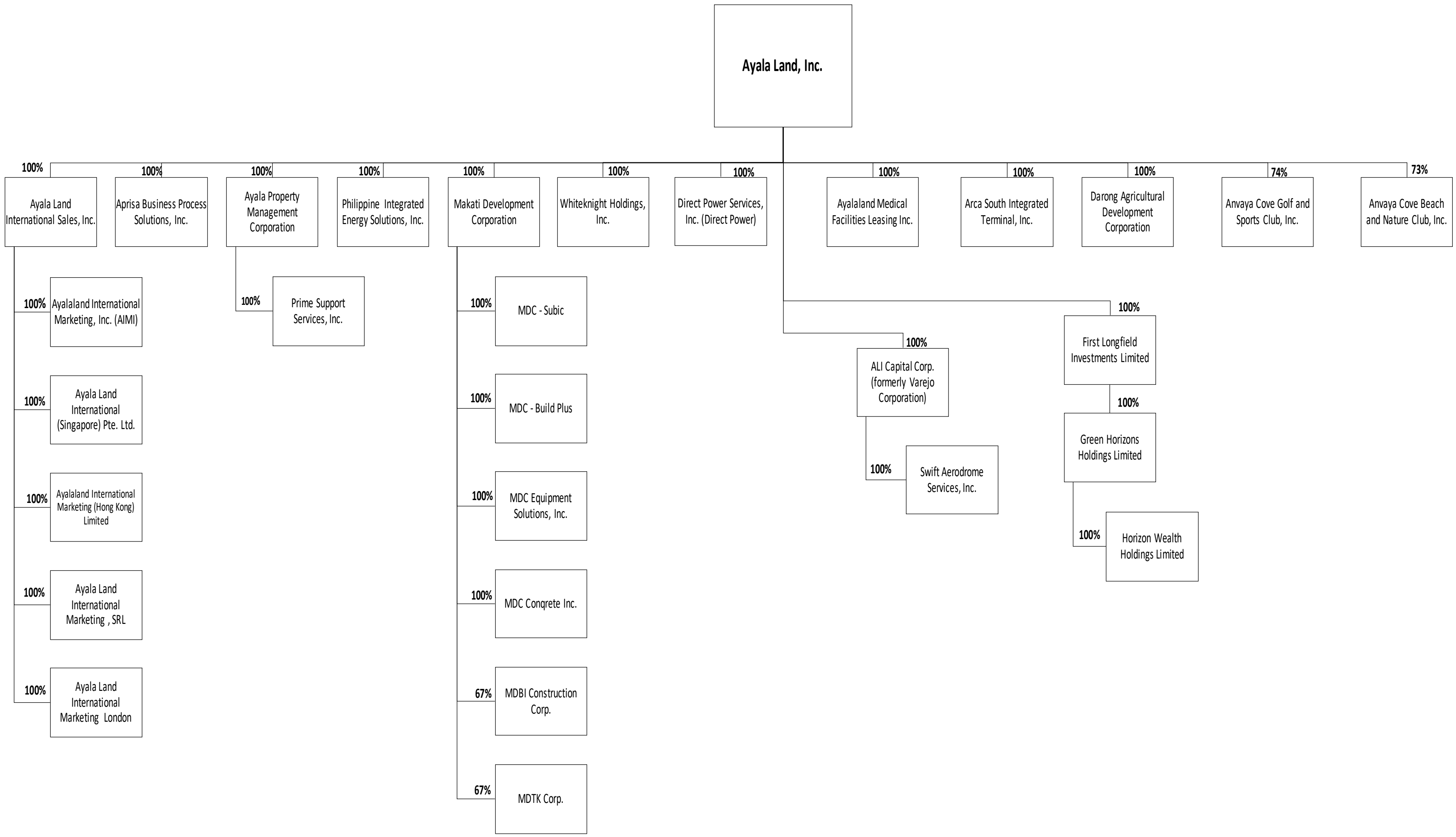
AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2024



AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2024
Page 8

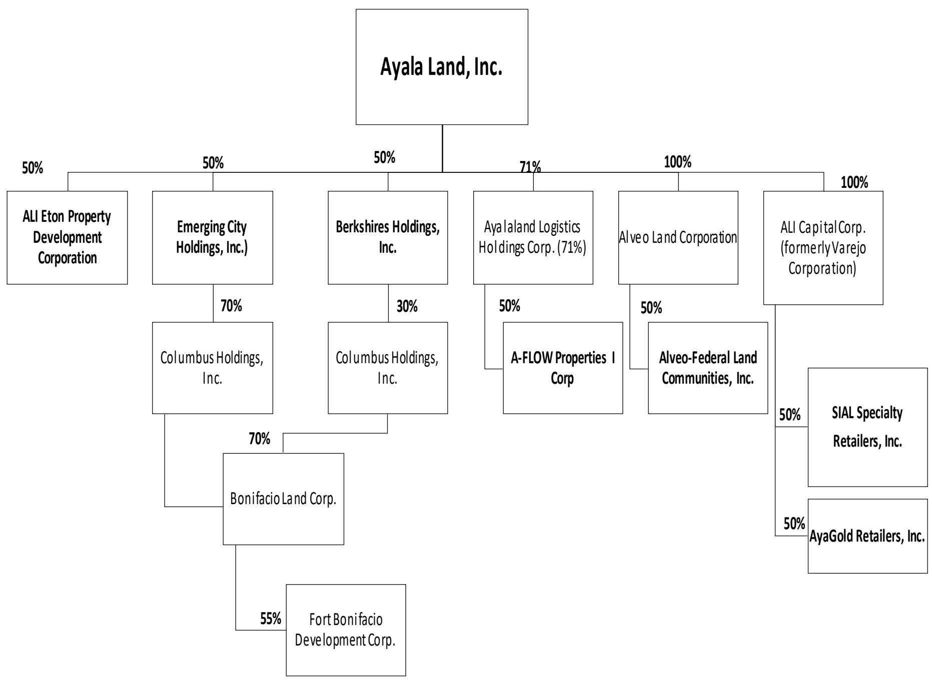


AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2024

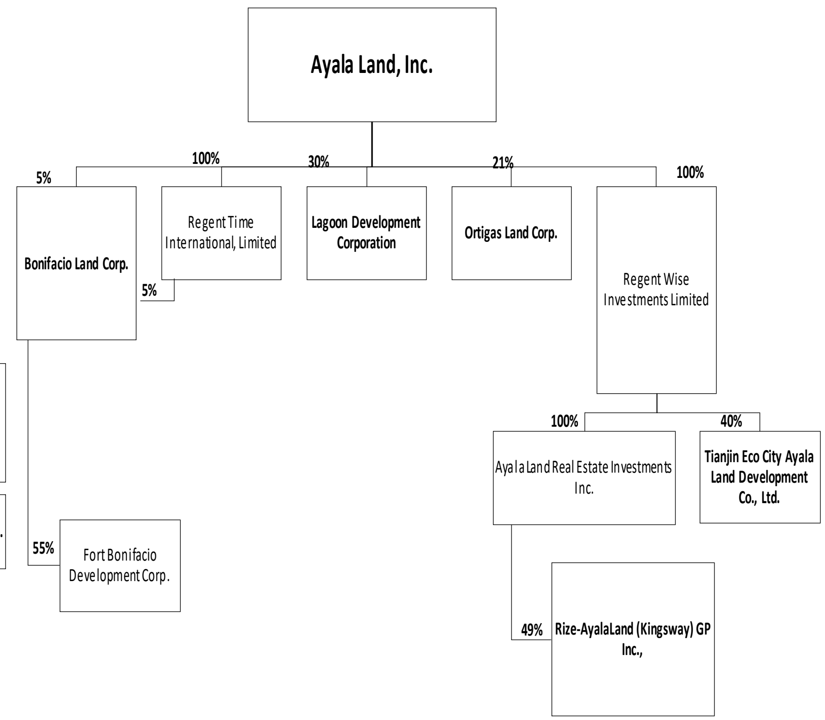


AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2024

Investments in Joint Ventures



Investments in Associates



AREIT, Inc.

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE- RELATED INFORMATION
As at December 31, 2024 and 2023
Amounts in Philippine Peso (PHP)

	2024	2023
Total Audit Fees (excluding OPE)		
Regular Audit	840,000	800,000
Audit-related (AUP for reinvestment plan)	35,000	-
Total audit fees	875,000	800,000
Non-audit service fees:		
Other assurance services	-	-
Tax services	-	1,250,000
All other services	-	-
Total non-audit fees	-	1,250,000
Total audit and non-audit fees	**875,000**	**2,050,000**