

SEC Number: CS200613870  
File Number: \_\_\_\_\_

**AREIT, INC.**

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(Company's Full Name)

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

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(Company Address)

(632) 7908-3804

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(Telephone Number)

**March 31, 2022**

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(Quarter Ending)

**SEC Form 17-Q Quarterly Report**

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(Form Type)

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(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2022**
2. Commission Identification Number **CS200613870**
3. BIR Tax Identification No. **006-346-689-000**
4. Exact name of issuer as specified in its charter: **AREIT, INC.**
5. Province, Country, or other jurisdiction of incorporation or organization:  
**Makati City, Philippines**
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Address of issuer's principal office and postal code:  
**28F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226**
8. Issuer's telephone number, including area code: **(632) 7908-3804**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

**As of March 31, 2022**

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

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

Yes  No

Stock Exchange: **Philippine Stock Exchange**

Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

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**PART I – FINANCIAL INFORMATION**  
**Item 1. Financial Statements**

**AREIT, INC.**

**STATEMENTS OF FINANCIAL POSITION**

	March 31, 2022 Unaudited	December 31, 2021 Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	44,030,012	P92,010,744
Receivables (Note 5)	1,476,780,522	1,320,940,578
Other current assets (Note 6)	327,892,853	110,291,205
<b>Total Current Assets</b>	<b>1,848,703,387</b>	<b>1,523,242,527</b>
<b>Noncurrent Assets</b>		
Noncurrent portion of receivables (Note 5)	3,036,952,657	3,063,077,918
Investment properties	50,085,210,969	50,081,060,761
Property and equipment	303,624	309,716
Other noncurrent assets (Note 6)	1,816,798,755	1,835,836,322
<b>Total Noncurrent Assets</b>	<b>54,939,266,005</b>	<b>54,980,284,717</b>
	<b>56,787,969,392</b>	<b>56,503,527,244</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Note 7)	P785,229,337	P530,622,799
Short-term loans Payable (Note 8)	740,000,000	890,000,000
Current portion of deposits, other liabilities (Note 9)	801,754,606	735,086,847
Current portion of lease liability	50,290,868	42,967,375
Construction bonds	60,911,840	58,579,640
<b>Total Current Liabilities</b>	<b>2,438,186,651</b>	<b>2,257,256,661</b>
<b>Noncurrent Liabilities</b>		
Long-term debt	2,962,737,136	2,957,472,367
Deposits, other liabilities, net of current portion (Note 9)	1,274,724,035	1,290,194,773
Lease liability- net of current portion	1,123,659,119	1,111,013,455
<b>Total Noncurrent Liabilities</b>	<b>5,361,120,290</b>	<b>5,358,680,595</b>
<b>Total Liabilities</b>	<b>7,799,306,941</b>	<b>7,615,937,256</b>
<b>Equity (Note 10)</b>		
Paid-up capital	15,762,407,800	15,762,407,800
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	11,333,074,693	11,333,074,693
Retained earnings	22,566,479,658	22,465,407,195
<b>Total Equity</b>	<b>48,988,662,451</b>	<b>48,887,589,988</b>
	<b>56,787,969,392</b>	<b>P56,503,527,244</b>

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

	<b>2022 Unaudited January 1 to March 31</b>	2021 Unaudited January 1 to March 31
<b>REVENUE</b>		
Rental income	<b>₱873,961,615</b>	₱539,760,178
Dues- net	<b>255,743,471</b>	129,647,293
Interest income from finance lease receivables	<b>54,819,080</b>	43,611,552
	<b>1,184,524,166</b>	713,019,023
<b>NET FAIR VALUE CHANGE IN INVESTMENT PROPERTIES</b>	<b>13,875,419</b>	167,526,834
<b>COSTS AND EXPENSES</b>		
Direct operating expenses	<b>325,050,317</b>	166,905,451
General and administrative expenses	<b>16,594,313</b>	11,403,552
	<b>341,644,630</b>	178,309,003
<b>OTHER INCOME (CHARGES) - Net</b>		
Gain under finance lease	-	28,309,398
Interest income	<b>5,490,850</b>	2,585,077
Interest expense and other charges	<b>(54,419,983)</b>	(37,343,443)
Other income	<b>2,448,112</b>	-
	<b>(46,481,021)</b>	(6,448,968)
<b>INCOME BEFORE INCOME TAX</b>	<b>810,273,934</b>	695,787,886
<b>PROVISION FOR INCOME TAX (Note12)</b>	<b>13,391</b>	16,954
<b>NET INCOME</b>	<b>810,260,543</b>	695,770,932
<b>OTHER COMPREHENSIVE INCOME</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱810,260,543</b>	₱695,770,932
<b>Basic/Diluted Earnings Per Share</b>	<b>₱0.54</b>	₱0.68

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

	<b>March 31, 2022</b>	March 31, 2021
	<b>Unaudited</b>	Unaudited
<b>PAID-UP CAPITAL</b>		
<b>Common Shares - ₱10 par value</b>		
Balance at beginning and end of period	<b>₱15,762,407,800</b>	₱10,929,864,050
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance at beginning and end of period	<b>11,333,074,693</b>	785,681,404
<b>TREASURY SHARES</b>		
Balance at beginning and end of period	<b>(673,299,700)</b>	(673,299,700)
<b>RETAINED EARNINGS</b>		
Balance at beginning of year	<b>22,465,407,195</b>	21,765,499,530
Total comprehensive income/Net income	<b>810,260,543</b>	695,770,932
Cash dividends	<b>(709,188,080)</b>	(400,006,010)
Balance at end of period	<b>22,566,479,658</b>	22,061,264,452
	<b>48,988,662,451</b>	33,103,510,206

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

	<b>Three Months Ended March 31</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱810,273,934</b>	₱695,787,886
Adjustments for:		
Net fair value change in investment properties	<b>(13,875,419)</b>	(167,526,834)
Depreciation and amortization	<b>19,213</b>	2,009
Interest expense	<b>54,419,983</b>	21,816,013
Gain under finance lease	<b>–</b>	(28,309,398)
Interest income from finance lease receivables	<b>(54,819,080)</b>	(43,611,552)
Interest income	<b>(5,490,850)</b>	(2,585,077)
Operating income before working capital changes	<b>790,527,781</b>	475,573,047
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	<b>74,805,697</b>	(325,169,240)
Other assets	<b>(378,944,275)</b>	(776,745,171)
Increase (decrease) in:		
Accounts and other payables	<b>254,606,538</b>	366,479,598
Deposits and other liabilities	<b>43,406,824</b>	(100,528,501)
Construction bonds	<b>2,332,200</b>	(5,782,842)
Cash generated from (used in) operations	<b>786,734,765</b>	(366,173,109)
Interest received	<b>60,309,930</b>	46,196,630
Interest paid	<b>(26,660,626)</b>	(1,423,513)
Income tax paid	<b>(13,392)</b>	(16,955)
Net cash flows provided by (used in) operating activities	<b>820,370,677</b>	(321,416,947)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in due from related parties	<b>(5,000,000)</b>	1,593,900,000
Payments for additions to investment properties	<b>(4,163,328)</b>	(5,243,258,012)
Net cash flows provided by (used in) investing activities	<b>(9,163,328)</b>	(3,649,358,012)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of dividends	<b>(709,188,081)</b>	(400,006,010)
Availment (repayment) of loans	<b>(150,000,000)</b>	4,450,500,000
Net cash flows provided by (used) financing activities	<b>(859,188,081)</b>	4,050,493,990
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(47,980,732)</b>	79,719,031
<b>CASH AT BEGINNING OF PERIOD</b>	<b>92,010,744</b>	58,977,547
<b>CASH AT END OF PERIOD</b>	<b>₱44,030,012</b>	₱138,696,578

## **AREIT, INC.**

### **NOTES TO INTERIM FINANCIAL STATEMENTS**

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#### **1. Corporate Information**

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

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

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

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

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

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

#### **2. Basis of Financial Statement Preparation**

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

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

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



On May 04, 2022, the Audit Committee approved and authorized the release of the accompanying unaudited interim financial statements of AREIT, Inc.

### 3. Summary of Significant Accounting Policies

#### Change to Fair Value Model

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

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

As a result of the change, the comparative December 31, 2021 audited statement of financial position and the comparative interim statement of comprehensive income and statement of changes in equity for the three-month period ended March 31, 2021 were restated to reflect the effect of the voluntary change.

The change will provide the users of the financial statements with more relevant information as it reflects the company’s current valuation as a REIT entity.

#### Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company assessed itself (a) as principal on Buildings for CUSA, (b) as agent on Condominium Units for CUSA, and (c) as agent for electricity and water usage.

#### Standards and Interpretations Issued but not yet Effective

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

#### *Effective beginning on or after January 1, 2021*

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

#### *Effective beginning on or after January 1, 2022*

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

#### *Effective beginning on or after January 1, 2023*

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

#### *Deferred effectivity*

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

## 4. Cash

This account consists of:

	<b>March 31, 2022</b> <b>(Unaudited)</b>	December 31, 2021 (Audited)
Cash on hand	<b>₱42,500</b>	₱22,500
Cash in banks	<b>43,987,512</b>	91,968,244
	<b>44,030,012</b>	₱91,990,744

Cash in banks earns interest from the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱0.16 million and ₱0.26 million for the nine months ended September 30, 2021, and 2020, respectively.

## 5. Receivables

This account consists of:

	<b>March 31, 2022</b> <b>(Unaudited)</b>	December 31, 2021 (Audited)
Finance lease receivable	<b>₱3,259,327,502</b>	₱3,285,820,422
Due from related parties	<b>978,901,619</b>	914,114,901
Trade receivables - billed	<b>312,340,346</b>	220,680,256
Other receivables	<b>619,758</b>	858,963
	<b>4,551,189,225</b>	4,421,474,542
Less allowance for credit losses	<b>37,456,046</b>	37,456,046
	<b>4,513,733,179</b>	4,384,018,496
Less noncurrent portion of finance lease receivable	<b>3,036,952,657</b>	3,063,077,918
	<b>₱1,476,780,522</b>	₱1,320,940,578

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

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

As of March 31, 2022, the aging of analysis of the Company's receivables presented per class is as follow:

	Neither Past Due nor Impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
Finance lease receivable	P3,259,327,502	P-	P-	P-	P-	P-	P3,259,327,502
Due from related parties	764,585,728	51,099,763	3,086,167	48,924,368	111,205,592	-	978,901,619
Trade receivables – billed	19,616,085	33,550,138	23,070,623	13,821,634	147,369,774	37,456,046	274,884,300
Other receivables	619,758	-	-	-	-	-	619,758
<b>Total</b>	<b>P4,044,149,074</b>	<b>P84,649,901</b>	<b>P26,156,790</b>	<b>P62,746,002</b>	<b>P258,575,366</b>	<b>P37,456,046</b>	<b>P4,513,733,179</b>

The movements in allowance for credit losses follows:

	<b>March 31, 2022</b> <b>(Unaudited)</b>	December 31, 2021 (Audited)
Balance at beginning of year	<b>₱37,456,046</b>	₱14,923,759
Additions	-	22,532,287
Balance at end of year	<b>₱37,456,046</b>	₱37,456,046

## 6. Other Assets

### Other Current Assets

This account consists of:

	<b>March 31, 2022</b> <b>(Unaudited)</b>	December 31, 2021 (Audited)
Input VAT	<b>₱95,299,302</b>	₱97,794,584
Prepaid expenses	<b>217,828,736</b>	-
Recoverable deposits	<b>14,764,815</b>	12,496,621
	<b>₱327,892,853</b>	₱110,291,205

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

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

Recoverable deposits pertain to various utility deposits.

### Other Noncurrent Assets

This account consists of:

	<b>March 31, 2022</b> <b>(Unaudited)</b>	December 31, 2021 (Audited)
Input VAT	<b>₱862,667,984</b>	₱885,255,771
Deferred input VAT	<b>858,491,692</b>	861,813,729
Creditable withholding taxes	<b>135,389,669</b>	118,587,338
Advances to contractors	<b>2,999,410</b>	3,179,484
	<b>1,859,548,755</b>	1,868,836,322
Less allowance for possible losses	<b>42,750,000</b>	33,000,000
	<b>₱1,816,798,755</b>	₱1,835,836,322

Deferred input VAT pertains to input tax on the Company's purchases of capital goods exceeding ₱1.0 million per transaction, which is available for offset against the Company's future output VAT.

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

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related lease receivable and are utilized as tax credits against income tax due. The Company recognized allowance for probable loss on CWT amounting to ₱9.75 million in 2022 and ₱33.0 million in 2021.

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

## 7. Investment Properties

	<b>March 31, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
Beginning of the period	<b>₱50,081,060,761</b>	₱29,189,674,985
Acquisitions and Improvements	<b>4,150,208</b>	21,577,487,178
Property under finance lease	-	(886,240,458)
Gain on fair value adjustment	-	200,139,056
<b>End of the period</b>	<b>₱50,085,210,969</b>	₱50,081,060,761

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

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

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

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

BPI-Philam Life Alabang – BPI Philam Life Alabang is a corporate center in Madrigal Business Park, Alabang, Muntinlupa City. The Building is a 14-storey corporate center office that caters to all employees, primarily corporate professionals. The property-for-share swap transaction covers six (6) condominium office units of the property.

As of March 31, 2022, the investment properties are composed of seven (7) stand-alone buildings, two (3) mixed-used properties, nine (9) condominium office units, and four (4) land parcels. The stand-alone buildings are Solaris One and McKinley Exchange located in Makati City, Teleperformance Cebu located at Cebu I.T. Park, Cebu City, Evotech One and Two consisting of two (2) office buildings

situated in Laguna, Bacolod Capitol Corporate Center and Ayala Northpoint Technohub located in Bacolod City. The mixed-used properties are Ayala North Exchange, The 30th Commercial Development, and Vertis North Commercial Development. Ayala North Exchange is located along Ayala Avenue, Makati composed of two office towers, a retail podium and serviced apartments; The 30th Commercial Development features a 19-storey office building complemented by a four-storey retail podium; while Vertis North Commercial Development is a mixed-use development composed of three (3) office towers and a retail podium located in Quezon City. The condominium office units are BPI-Philam Life Makati composed of three (3) condominium office units located at the intersection of Ayala Avenue and Gil Puyat Avenue, and BPI-Philam Life Alabang composed of six (6) condominium office units located at Madrigal Business Park, Alabang, Muntinlupa City. The four land parcels in Laguna Technopark are being leased to IMI.

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. The fair value of the investment properties was determined by management and independent and professionally qualified appraiser.

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

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

## 8. Accounts and Other Payables

This account consists of:

	<b>March 31, 2022</b>	December 31, 2021
	<b>(Unaudited)</b>	(Audited)
Due to related parties	<b>₱528,381,195</b>	₱299,429,900
Accounts payable	<b>54,026,915</b>	99,045,078
Accrued expenses		
Light and water	<b>39,855,601</b>	22,492,161
Rent	<b>23,767,820</b>	13,413,162
Repairs and maintenance	<b>13,371,638</b>	7,546,168
Others	<b>42,476,715</b>	23,971,364
Taxes payable	<b>57,280,934</b>	61,777,639
Retention payable	<b>2,433,559</b>	2,041,577
Interest payable	<b>23,634,960</b>	905,750
	<b>₱785,229,337</b>	₱530,622,799

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

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

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



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

## 9. Short-term Debt and Long-term Debt

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

The outstanding short-term loans payable amounting to ₱740.0 million as of March 31, 2022 and ₱ 890.0 million as of December 31, 2021 pertains to unsecured and interest bearing 30-day loans with average interest rate of 1.95% as of March 31, 2022 and 2.08% as of December 31, 2021.

### *Philippine Peso 2-year bonds due 2023*

On December 28, 2021, the Company issued a total of ₱3.0 billion fixed bonds due 2023 at a rate equivalent to 3.0445% p.a. The Bonds represent the first tranche of debt securities issued under the Company's ₱15.0 billion Debt Securities Program registered with the SEC and the first REIT in the Philippines to list a bond issued to public investors. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

The loan agreements contain the following restrictions: material changes in nature of business; maintenance of aggregate leverage limit; payment of dividends and additional loans maturing beyond a year which will result to non-compliance of the required aggregate leverage limit; merger or consolidation where the Company is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Company as of March 31, 2022 and December 31, 2021.

Debt issue costs amounted to ₱37.26 million in 2022 and ₱42.70 million in 2021.

## 10. Construction Bonds

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

The carrying value of the Company's construction bonds amounted to ₱60.91 million as of March 31, 2022 and ₱58.58 million as of December 31, 2021.

## 11. Deposits and Other Liabilities

This account consists of:

	<b>March 31, 2022</b> <b>(Unaudited)</b>	December 31, 2021 (Audited)
Advance rentals	<b>₱957,450,650</b>	₱999,233,922
Security deposits	<b>969,586,624</b>	942,749,081
Deferred credits	<b>149,441,367</b>	83,298,617
	<b>2,076,478,641</b>	2,025,281,620
Less current portion	<b>801,754,606</b>	735,086,847
	<b>₱1,274,724,035</b>	₱1,290,194,773

The current portion of these accounts follows:

	<b>March 31, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
Security deposits	<b>₱449,319,776</b>	₱436,882,890
Advance rentals	<b>274,295,228</b>	286,265,507
Deferred credits	<b>78,139,602</b>	11,938,450
	<b>₱801,754,606</b>	₱735,086,847

*Advance rentals*

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

*Security deposits*

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

## 12. Equity

Capital stock

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

	<b>March 31, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
Authorized	<b>2,950,000,000</b>	2,950,000,000
Par value per share	<b>₱10.00</b>	₱10.00
Issued and outstanding shares	<b>1,508,910,810</b>	1,508,910,810

The changes in the number of shares are as follows:

	<b>March 31, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
Authorized number of shares		
Balance at beginning of year at ₱10 par value	<b>1,174,000,000</b>	1,174,000,000
Increase in authorized capital stock at ₱10 par value	<b>1,776,000,000</b>	1,776,000,000
Balance at end of period	<b>2,950,000,000</b>	2,950,000,000
Issued shares		
Balance at beginning of year	<b>1,092,986,405</b>	1,092,986,405
Issuance of new shares	<b>483,254,375</b>	483,254,375
Balance at end of period	<b>1,576,240,780</b>	1,576,240,780
Treasury shares		
Balance at beginning and end of period	<b>(67,329,970)</b>	(67,329,970)
Outstanding	<b>1,508,910,810</b>	1,508,910,810

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

### Additional Paid-in Capital (APIC)

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

### Retained Earnings

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

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

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

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

On February 24, 2022, the Company's BOD approved the declaration of cash dividends for the fourth quarter of 2021, amounting to ₱0.47 per outstanding common share to stockholders on record as of March 11, 2022, amounting to ₱709.19 million. The cash dividend was paid on March 25, 2022, to stockholders.

### Distributable Income

The computation of the distributable income of the Company as of March 31, 2022, is shown below:

	<b>March 31, 2022</b>
	<b>(Unaudited)</b>
Net income	<b>₱810,260,543</b>
Add (Less): Unrealized gain on fair value change in investment properties	<b>(13,875,419)</b>
Distribution adjustments	-
<b>Distributable Income</b>	<b>₱796,385,124</b>

### Capital Management

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

The Company's sources of capital as of March 31, 2022 and December 31, 2021, follow:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Paid-up capital	P15,762,407,800	P15,762,407,800
Additional paid- in capital	11,333,074,693	11,333,074,693
Treasury shares	(673,299,700)	(673,299,700)
Retained earnings	22,566,479,658	22,465,407,195
	<b>P48,988,662,451</b>	<b>P48,887,589,988</b>

### 13. Related Party Transactions

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

#### Terms and Conditions of Transactions with Related Parties

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

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

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

Related Party Category	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Due from related parties		
Parent Company		
Ayala Land, Inc.	<b>P117,599,247</b>	P290,385,878
Affiliates*	<b>4,118,846,751</b>	3,909,549,445
Other related parties		
Bank of the Philippine Islands	1,777,422	-
Globe Telecom, Inc.	5,701	-
	<b>1,783,124</b>	
	<b>P4,238,229,121</b>	<b>P4,199,935,323</b>

\*Entities under common control

Related Party Category	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Due to related parties		
Parent Company		
Ayala Land, Inc.	<b>P105,536,220</b>	P47,566,230
Affiliates*	<b>417,862,707</b>	249,812,235
Other related parties		
Manila Water Company Inc	4,403,946	2,051,435
Manila Water Philippine Ventures, Inc.	463,541	-
Globe Telecom, Inc.	61,762	-
Innove Communications	42,920	-
Bank of the Philippine Islands	10,100	-
	<b>4,982,269</b>	2,051,435
	<b>P528,381,195</b>	<b>P299,429,900</b>

\*Entities under common control

## 14. Financial Risk Management Objectives and Policies

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

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

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

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

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

### Liquidity risk

The Company actively manages its liquidity position 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.

### Credit risk

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

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

## 15. Fair Value Hierarchy

### Fair Value Information

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

	March 31, 2022 (Unaudited)		December 31, 2021 (Audited)	
	Carrying value	Fair value	Carrying value	Fair value
Security deposits	<b>₱969,586,624</b>	<b>₱969,586,624</b>	₱942,749,081	₱864,953,175
Long-term debt	<b>2,962,737,136</b>	<b>3,080,891,555</b>	2,957,472,367	2,844,051,163

As of March 31, 2022 and December 31, 2021, the Company has no financial instrument measured at fair value. In 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

The fair value of the Company's security deposits and long-term debt is categorized under Level 3 in the fair value hierarchy.

## 16. Notes to Interim Statements of Cash Flow

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

### Operating

- Interest income from finance lease amounting to ₱54.82 million and ₱43.61 million for three months ended March 31, 2022 and 2021.
- Noncash movement in "Receivables" the ₱28.31 million gain on finance lease receivables from the lease agreement with NECC in 2021 (nil in 2022).

### Investing

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

### Financing

Interest expense on the accretion of interest related to lease liabilities amounting to ₱19.97 million and ₱14.02 million for three months ended March 31, 2022, and 2021.

## 17. Segment Reporting

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

The Company's four parcels of land, nine condominium office units and thirteen-building lease operations are its only income-generating activity, and such is the measure used by the management in allocating resources.

## **18. Seasonality of Operations**

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

## **19. Events After Financial Reporting Date**

**On April 21, 2022**, AREIT, Inc. secured the approval of its stockholders on its second property-for-share swap with its sponsor, Ayala Land, Inc. (ALI) during its Annual Stockholders' Meeting. The transaction involves six Cebu-based office buildings with an aggregate value of P11,257,889,535.91, in exchange for 252,136,383 AREIT primary common shares at a price of P44.65 per share, as validated by a third-party fairness opinion. This new asset infusion will expand AREIT's gross leasing area to 673 thousand square meters or P64 billion in Assets Under Management (AUM) in 2022 – a 113% increase since AREIT went public. This growth exceeds its target to double in size within two years from its IPO.

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

### **Review of 3M 2022 operations vs 3M 2021**

AREIT, Inc. net income after tax increased by 16% from ₱695.77 million in 2021 to ₱810.26 million in 2022. Exclusive of the change in fair value of investment properties, net income after tax increased by 59% at ₱796.40 million in 2022 from ₱499.93 million in 2021, adjusted to exclude the change in fair value of investment properties and one time gain on finance lease. The increase in net income after tax is due to the acquisition of new properties in October 2021 as well as rental escalations.

#### **Revenues**

Total revenues increased by 66% from ₱713.02 million in 2021 to ₱1,184.52 million in 2022. This was mainly driven by higher rental income and dues-net in line with the additional properties acquired in October 2021.

*Rental Income* increased by 62% from ₱539.76 million in 2021 to ₱873.96 million in 2022. The increase was primarily attributable to the additional properties namely, Vertis Offices and Mall, One and Two Evotech, BPI-Philam Makati, BPI-Philam Alabang, Bacolod Capitol and Ayala Northpoint, which were added to the Company's portfolio in October 2021.

*Dues* increased by 97% from ₱129.65 million in 2021 to ₱255.74 million in 2022. The increase was attributable to the operations of new properties acquired in October 2021.

*Interest income from finance lease*, increased by 26% from ₱43.61 million in 2021 and ₱54.82 million in 2022. This pertains to the long-term lease of North Eastern Commercial Corp with the Company, for Vertis Mall building lease which commenced in October 1, 2021.

#### **Net Fair Value Change in Investment Property**

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

The Company recognized a net fair value change in investment property of ₱13.88 million in 2022 and ₱167.53 million in 2021.

#### **Cost and Expenses**

*Direct operating expenses* increased by 95% from ₱166.91 million in 2021 to ₱325.05 million in 2022. The increase is in line with the additional properties acquired in October 2021.

*General and administrative expenses* increased by 46%, from ₱11.40 million in 2021 to ₱16.59 million in 2022.

#### **Other Income (charges)**

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

*Interest Income* increased by 112% from ₱2.59 million in 2021 to ₱5.49 million in 2022. The increase was mainly due to the increase in interest income from intercompany lendings in 2022.



*Interest expense* increased by 46% from ₱37.34 million in 2021 to ₱54.42 million in 2022. The increase was primarily attributable to the recognition of interest expense on short-term and long-term debt and accretion of security deposit.

*Other income (charges)*, composed of income earned from interest and penalties arising from late payments and amortization of bond issue cost.

#### **Provision for Income Tax**

*Provision for income tax*, decreased by 21% from ₱0.02 million in 2021 to ₱0.01 million in 2022. This pertains to final tax on interest income from banks.

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

#### **Balance Sheet items- March 31, 2022 versus December 31, 2021**

**Cash** decreased by 52% primarily due to repayment of short term debt.

**Other current assets** increased by 197% mainly due to higher prepaid expenses pertaining to payments of business taxes and real property taxes, which are being amortized for the year.

**Short-term debt** decreased by 17% due to repayment of short term debt amounting to ₱150.00 million, which was funded thru excess cash from operations.

**Accounts and other payables** increased by 48%, in line with the increase in operations due to additional properties.

**Current portion of deposits and other liabilities** increased by 9%, mainly due to advance rent from the tenants.

**Current portion of lease liability** increased by 17% due to additional lease liability for the lease agreements entered into by the Company related to land leases of One and Two Evotech and Bacolod Capitol. The rent is payable at a fixed monthly rate, subject to annual escalation rate.

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### **Financial Condition**

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

Total current assets, including cash, current portion of receivable, input VAT, prepaid expenses, and recoverable deposits, stood at ₱1,848.70 million, resulting in a current ratio of 0.76:1.

Total debt registered at P3.70 billion which translated to a debt-to-equity ratio of 0.08:1 and a net debt-to-equity ratio of 0.07:1.

Return on equity is at 7% as of March 31, 2022.

<b>Key Financial Ratios</b>	<b>2022</b>	<b>2021</b>
Current Ratio <sup>(1)</sup>	0.76	0.67
Debt to Equity <sup>(2)</sup>	0.08	0.08

Profitability Ratios		
Return on Asset <sup>(3)</sup>	6%	6%
Return on Equity <sup>(4)</sup>	7%	5%
Asset to Equity Ratio <sup>(5)</sup>	1.16	1.16

<sup>(1)</sup> *Current assets/current liabilities*

<sup>(2)</sup> *Total debt/Average Stockholder's equity*

<sup>(3)</sup> *Total Net Income/Total Average Assets*

<sup>(4)</sup> *Total Net Income/Average Stockholder's equity*

<sup>(5)</sup> *Total asset/Total Stockholder's equity*

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

**Property Performance as of March 31, 2022**

<b>Property</b>	<b>Location</b>	<b>Valuation Date</b>	<b>Valuation cost<sup>2</sup> (in Pesos, millions)</b>	<b>Total gross leasable area (GLA) (in sq.m)</b>	<b>Occupied GLA (in sq.m)</b>	<b>Occupancy rate</b>	<b>Remaining Land lease term</b>	<b>Rental Income (in Pesos, millions)</b>	<b>Gross Revenues (in Pesos, millions)</b>
Solaris	Makati	June 2021	12,170	46,768	45,740	98%	27	144	203
Ayala North Exchange <sup>1</sup>	Makati	June 2021	13,656	95,300	94,003	99%	36	227	270
MECC	Makati	June 2021	1,940	10,688	10,593	99%	33	27	35
TP Cebu	Cebu	Dec 2021	2,599	18,093	18,093	100%	30	42	52
The 30th <sup>1</sup>	Pasig	June 2021	4,643	74,704	68,960	92%	34	99	125
Laguna Technopark Land	Laguna	June 2021	1,087	98,179	98,179	100%	n/a	19	19
Vertis <sup>1</sup>	Quezon City	June 2021	11,978	164,628	157,218	95%	36	296	372
BPI- Philam Makati	Makati	June 2021	236	1,072	459	43%	n/a	2	4
BPI- Philam Alabang	Muntinlupa	June 2021	63	551	551	100%	n/a	1	2
Bacolod Capitol	Negros Occidental	June 2021	893	11,313	11,313	100%	40	17	22
Ayala Northpoint	Negros Occidental	June 2021	297	4,654	4,654	100%	37	7	8
Evotech	Laguna	June 2021	1,999	23,727	23,417	99%	37	47	73

<sup>(1)</sup> Does not include portion of ANE Seda, The 30th Mall and Vertis Mall which are accounted for under finance lease

<sup>(2)</sup> Valuation based on latest appraisal reports using Income approach except for Laguna Technopark land which was based on Market approach

## PART II- OTHER INFORMATION

### Item 3. Developments as of March 31, 2022

- |  |  |                           |
|--|--|---------------------------|
| <b>A. New project or investments in another line of business or corporation</b>  | None   |                           |
| <b>B. Composition of Board of Directors (as of April 22, 2022)</b>   | Jose Emmanuel H. Jalandoni   | Chairman                  |
|  | Carol T. Mills   | President & CEO           |
|  | Augusto D. Bengzon   | Non-Executive Director    |
|  | Bernard Vincent O. Dy  | Non-Executive Director    |
|  | Mariana Zobel de Ayala   | Non-Executive Director    |
|  | Omar T. Cruz   | Lead Independent Director |
|  | Enrico S. Cruz   | Independent Director      |
|  | Jessie D. Cabaluna   | Independent Director      |
| <b>C. Performance of the corporation or result/progress of operations</b>  | Please see unaudited financial statements and management's discussion on the results of operations.  |                           |
| <b>D. Declaration of dividends</b>   | ₱0.47 cash dividend per outstanding common share<br>Declaration date: February 24, 2022<br>Record date: March 11, 2022<br>Payment date: March 25, 2022 |                           |
| <b>E. Contracts of merger, consolidation, or joint venture; contract of management, licensing, marketing, distributorship, technical assistance, or similar agreements</b> | None   |                           |
| <b>F. Offering of rights, granting of Stock Options and corresponding plans therefore</b>  | None   |                           |
| <b>G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate</b>   | None   |                           |
| <b>H. Other information, material events, or happenings that may have affected or may affect the market price of the security</b>  | None   |                           |
| <b>I. Transferring of assets, except in the normal course of business</b>  | None   |                           |

#### Item 4. Other Notes to 3M 2022 Operations and Financials

- J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents** Please see Item 2: Management's Discussion on Results of Operations and Analysis.
- K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period** Please see page 26: Causes for any material changes (+/- 5% or more) in the financial statements
- L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities** None
- M. Material events subsequent to the end of the interim period that has not been reflected in the financial statements for the interim period** **On April 21, 2022**, AREIT, Inc. secured the approval of its stockholders on its second property-for-share swap with its sponsor, Ayala Land, Inc. (ALI) during its Annual Stockholders' Meeting. The transaction involves six Cebu-based office buildings with an aggregate value of P11,257,889,535.91, in exchange for 252,136,383 AREIT primary common shares at a price of P44.65 per share, as validated by a third-party fairness opinion. This new asset infusion will expand AREIT's gross leasing area to 673 thousand square meters or P64 billion in Assets Under Management (AUM) in 2022 – a 113% increase since AREIT went public. This growth exceeds its target to double in size within two years from its IPO.
- N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations** None
- O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date** None
- P. Other material events or transactions during the interim period** **On February 24, 2022**, the Board of Directors of AREIT, Inc. approved the following:
1. Establishment of the Risk Management and Related Party Transactions Review Committee by combining the Related Party Transactions Review and Board Risk Oversight Committees. As endorsed by our Corporate Governance and Nomination Committee, the following are the appointed Chairperson and members of the committee, all of whom are our independent directors, namely:  
  
Omar T. Cruz, Chairman

Enrico S. Cruz, Member  
Jessie D. Cabaluna, Member

2. Amendments to the following charters, manual and policy to align with the Corporation's Amended By-Laws, Asean Corporate Governance Scorecard, and the Code of Corporate Governance for Publicly-Listed Companies:
  - i. Insider Trading Policy
  - ii. Board Charter
  - iii. Manual of Corporate Governance

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

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

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

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

**Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation**      None

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

## Item 5. Performance Indicators

The table below shows AREIT's performance indicators:

	End-March 2022 (Unaudited)	End-December 2021 (Audited)
Current ratio <sup>1</sup>	0.76:1	0.67:1
Debt-to-equity ratio <sup>2</sup>	0.08:1	0.08:1
Net debt-to-equity ratio <sup>3</sup>	0.07:1	0.08:1
Profitability Ratios:		
Return on assets <sup>4</sup>	6%	6%
Return on equity <sup>5</sup>	7%	5%
Asset to Equity ratio <sup>6</sup>	1.16:1	1.16:1

Notes:

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



**SIGNATURE**

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

Issuer: **AREIT, INC.**

By:



**MA. TERESA R. FAMY**

Treasurer, Chief Finance Officer and Chief Compliance Officer

Date: May 11, 2022

January 15, 2022

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

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

Subject: 2021 Fourth Quarter Progress Report on the Disbursement of Proceeds from the sale of The 30<sup>th</sup> ("The 30th") Commercial Development to AREIT, Inc. ("AREIT")

Dear Ms. Encarnacion,

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

Please be advised that as of December 31, 2021 the remaining balance of the proceeds from the sale of The 30th to AREIT amounts to One Billion Five Hundred Twelve Million Eight Hundred Eighty-One Thousand Seven Hundred Sixty-Seven Pesos and Twenty Six Centavos (Php1,512,881,767.26).

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

Net proceeds from the sale of The 30th (Refer to Amended Reinvestment plan dated Dec 22, 2021)	Php4,564,285,714.29
Less:	
Disbursements from Jan 16 to Sept 30, 2021 (Reported as of Sept 30, 2021)	956,079,904.09
Adjustments on disbursements reported as of Sept 30, 2021 (Annex A)	178,091,331.83
Disbursements from Oct 1 to Dec 31, 2021 (Annex B)	1,917,232,711.10
Balance of proceeds from the sale of The 30th as of December 31, 2021	<u>Php1,512,881,767.26</u>

Thank you.

  
Very truly yours,

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




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

SUBSCRIBED AND SWORN to before me this JAN 17 2022 at Makati City, affiants exhibiting to me their identification documents as follows:

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

Doc No. 337 ;  
Page No. 69 ;  
Book No. XV ;  
Series of 2022 ;

  
MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ  
Notary Public - Makati City  
Appt. No. M-154 until December 31, 2021  
Roll of Attorneys No. 60896  
IBP No. 136246 - 12/21/2020 - Makati City  
PTR No. MKT8862852 - 01/11/2022 - Makati City  
MCLE Compliance No. VI - 0009482 - 06/20/2018  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines



**ANNEX A- Adjustments on disbursements reported as of Sept 30, 2021**

<b>Disbursing Entity</b>	<b>Project Name</b>	<b>Amount</b>
ALI Eton Property Development Corporation	Parklinks	389,674,233.92
Cebu District Property Enterprise, Inc.	Gatewalk Central	(211,582,902.09)
<b>TOTAL</b>		<b>178,091,331.83</b>

**ANNEX B- Disbursements from Oct 1 to Dec 31, 2021**

<b>Disbursing Entity</b>	<b>Project Name</b>	<b>Amount</b>
ALI Eton Property Development Corporation	Parklinks	306,000,000.00
ALI Commercial Center Inc	One Ayala (Malls)	384,716,788.50
ALI Commercial Center Inc	One Ayala (BPO)	558,480,000.00
Unity Realty & Dev't Corp.	Pampanga Property	225,000,000.00
Ayala Land Inc.	Arbor Lanes 1-5	97,190,715.62
Ayala Land Inc.	Avida Towers Vireo T1-3	77,646,815.35
Ayala Land Inc.	Avida Towers Sola T1-2	40,153,422.48
Amaia Land Corp.	Cavite Property	77,044,969.15
Amaia Land Corp.	Quezon City Property	61,000,000.00
Laguna Technopark Inc.	Cavite Property	90,000,000.00
<b>TOTAL</b>		<b>1,917,232,711.10</b>



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

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

**STRICTLY CONFIDENTIAL**

**REPORT OF FACTUAL FINDINGS**

**AYALA LAND, INC.**

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

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

---

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report as at **December 31, 2021** on the use of the proceeds from the sale of The 30th Commercial Development to AREIT, Inc. on **January 15, 2021**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

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

We report our findings below:

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

<b>Distributing Entity</b>	<b>Amount</b>	<b>Project Name</b>
ALI Eton Property Development Corporation	₱306,000,000.00	Parlinks (Mixed-use)
ALI Commercial Center Inc	384,716,788.50	One Ayala (Malls)
ALI Commercial Center Inc	558,480,000.00	One Ayala (BPO)
Unity Realty & Dev't Corp.	225,000,000.00	Pampanga Property
Amaia Land Corp	77,044,969.15	Cavite Property
Amaia Land Corp	61,000,000.00	Quezon City Property
Laguna Technopark Inc	90,000,000.00	Cavite Property
	<b>₱1,702,241,757.65</b>	

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

We also traced the amounts disbursed by the Company during the 4<sup>th</sup> quarter (October to December) for the following projects amounting to ₱215 million to the progress billings, invoices and official receipts and agreed the amount to the accounting records. No exceptions noted.

<b>Project Name</b>	<b>Amount</b>
Arbor Lanes 1-5	₱97,190,715.62
Avida Towers Vireo T1-3	77,646,815.35
Avida Towers Sola T1-2	40,153,422.48
	<b>₱214,990,953.45</b>

3. We also noted adjustments made during the period. Adjustment for ALI Eton Property Development Corp. was due to the amendment of the planned use for Parklinks Project from ₱800 million to ₱833 million and the ₱527 million infusion from the Company last May and February 2021. The adjustment for Cebu District Property Enterprise, Inc. is attributable to the amendment on reinvestment plan from ₱837 million to ₱164 million and a correction of the reported disbursement as of September. No exceptions noted.

<b>Distributing Entity</b>	<b>Amount</b>	<b>Project Name</b>
ALI Eton Property Development Corporation	₱389,674,233.92	Parklinks
Cebu District Property Enterprise, Inc.	(211,582,902.09)	Gatewalk Central
	<b>₱178,091,331.83</b>	

4. There were no additions during the 4<sup>th</sup> quarter (October to December). Further, we inquired into and identified the nature of the disbursement. We have noted the Amended Reinvestment Plan dated December 22, 2021 included the proceeds from the sale of The 30th Commercial Development to AREIT, Inc. We also checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of 30<sup>th</sup> proceeds as documented in the Amended Reinvestment Plan. We have noted that the abovementioned entities and the related projects were included in the Reinvestment Plan, and the amounts disbursed to these companies have not exceeded the planned use. No exceptions noted.

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

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

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

**SYCIP GORRES VELAYO & CO.**



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

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

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

November 11, 2019, valid until November 10, 2022

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

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

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854360, January 3, 2022, Makati City

ACKNOWLEDGMENT

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


I certify that on 17 JAN 2022, before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

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

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

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

Doc. No. 56 ;  
Page No. 13 ;  
Book No. 4 ;  
Series of 2021. 2022

  
**ATTY. JOSHUA P. LAPUZ**  
Notary Public for Makati City  
Appointment No. M-19 until 12/31/2023  
Roll No. 45790 / IBP Life No. 04897 / 07 - 03 - 03  
PTR - O.R. No. 8852510 / 01 - 03 - 22 / Makati City  
MCLE No VI-0016565 / 01 - 14 - 19  
G/F Fedman Suites, 199 Salcedo Street,  
Legaspi Village, Makati City



January 15, 2022

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

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

Subject: 2021 Fourth Quarter Progress Report on the Disbursement of Proceeds from the sale of The 30<sup>th</sup> ("The 30th") Commercial Development to AREIT, Inc. ("AREIT")

Dear Ms. Encarnacion,

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

Please be advised that as of December 31, 2021 the remaining balance of the proceeds from the sale of The 30th to AREIT amounts to One Billion Five Hundred Twelve Million Eight Hundred Eighty-One Thousand Seven Hundred Sixty-Seven Pesos and Twenty Six Centavos (Php1,512,881,767.26).

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

Net proceeds from the sale of The 30th (Refer to Amended Reinvestment plan dated Dec 22, 2021)	Php4,564,285,714.29
Less:	
Disbursements from Jan 16 to Sept 30, 2021 (Reported as of Sept 30, 2021)	956,079,904.09
Adjustments on disbursements reported as of Sept 30, 2021 (Annex A)	178,091,331.83
Disbursements from Oct 1 to Dec 31, 2021 (Annex B)	1,917,232,711.10
Balance of proceeds from the sale of The 30th as of December 31, 2021	<u>Php1,512,881,767.26</u>

Thank you.

  
Very truly yours,

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




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

SUBSCRIBED AND SWORN to before me this JAN 17 2022 at Makati City, affiants exhibiting to me their identification documents as follows:

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

Doc No. 337 ;  
Page No. 69 ;  
Book No. XV ;  
Series of 2022 ;

  
MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ  
Notary Public - Makati City  
Appt. No. M-154 until December 31, 2021  
Roll of Attorneys No. 60896  
IBP No. 136246 - 12/21/2020 - Makati City  
PTR No. MKT8862852 - 01/11/2022 - Makati City  
MCLE Compliance No. VI - 0009482 - 06/20/2018  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines



**ANNEX A- Adjustments on disbursements reported as of Sept 30, 2021**

<b>Disbursing Entity</b>	<b>Project Name</b>	<b>Amount</b>
ALI Eton Property Development Corporation	Parklinks	389,674,233.92
Cebu District Property Enterprise, Inc.	Gatewalk Central	(211,582,902.09)
<b>TOTAL</b>		<b>178,091,331.83</b>

**ANNEX B- Disbursements from Oct 1 to Dec 31, 2021**

<b>Disbursing Entity</b>	<b>Project Name</b>	<b>Amount</b>
ALI Eton Property Development Corporation	Parklinks	306,000,000.00
ALI Commercial Center Inc	One Ayala (Malls)	384,716,788.50
ALI Commercial Center Inc	One Ayala (BPO)	558,480,000.00
Unity Realty & Dev't Corp.	Pampanga Property	225,000,000.00
Ayala Land Inc.	Arbor Lanes 1-5	97,190,715.62
Ayala Land Inc.	Avida Towers Vireo T1-3	77,646,815.35
Ayala Land Inc.	Avida Towers Sola T1-2	40,153,422.48
Amaia Land Corp.	Cavite Property	77,044,969.15
Amaia Land Corp.	Quezon City Property	61,000,000.00
Laguna Technopark Inc.	Cavite Property	90,000,000.00
<b>TOTAL</b>		<b>1,917,232,711.10</b>



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

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

**STRICTLY CONFIDENTIAL**

**REPORT OF FACTUAL FINDINGS**

**AYALA LAND, INC.**

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

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

---

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report as at **December 31, 2021** on the use of the proceeds from the sale of The 30th Commercial Development to AREIT, Inc. on **January 15, 2021**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

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

We report our findings below:

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

<b>Distributing Entity</b>	<b>Amount</b>	<b>Project Name</b>
ALI Eton Property Development Corporation	₱306,000,000.00	Parlinks (Mixed-use)
ALI Commercial Center Inc	384,716,788.50	One Ayala (Malls)
ALI Commercial Center Inc	558,480,000.00	One Ayala (BPO)
Unity Realty & Dev't Corp.	225,000,000.00	Pampanga Property
Amaia Land Corp	77,044,969.15	Cavite Property
Amaia Land Corp	61,000,000.00	Quezon City Property
Laguna Technopark Inc	90,000,000.00	Cavite Property
	<b>₱1,702,241,757.65</b>	

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

We also traced the amounts disbursed by the Company during the 4<sup>th</sup> quarter (October to December) for the following projects amounting to ₱215 million to the progress billings, invoices and official receipts and agreed the amount to the accounting records. No exceptions noted.

<b>Project Name</b>	<b>Amount</b>
Arbor Lanes 1-5	₱97,190,715.62
Avida Towers Vireo T1-3	77,646,815.35
Avida Towers Sola T1-2	40,153,422.48
	<b>₱214,990,953.45</b>

3. We also noted adjustments made during the period. Adjustment for ALI Eton Property Development Corp. was due to the amendment of the planned use for Parklinks Project from ₱800 million to ₱833 million and the ₱527 million infusion from the Company last May and February 2021. The adjustment for Cebu District Property Enterprise, Inc. is attributable to the amendment on reinvestment plan from ₱837 million to ₱164 million and a correction of the reported disbursement as of September. No exceptions noted.

<b>Distributing Entity</b>	<b>Amount</b>	<b>Project Name</b>
ALI Eton Property Development Corporation	₱389,674,233.92	Parklinks
Cebu District Property Enterprise, Inc.	(211,582,902.09)	Gatewalk Central
	<b>₱178,091,331.83</b>	

4. There were no additions during the 4<sup>th</sup> quarter (October to December). Further, we inquired into and identified the nature of the disbursement. We have noted the Amended Reinvestment Plan dated December 22, 2021 included the proceeds from the sale of The 30th Commercial Development to AREIT, Inc. We also checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of 30<sup>th</sup> proceeds as documented in the Amended Reinvestment Plan. We have noted that the abovementioned entities and the related projects were included in the Reinvestment Plan, and the amounts disbursed to these companies have not exceeded the planned use. No exceptions noted.

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

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

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

**SYCIP GORRES VELAYO & CO.**



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

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

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

November 11, 2019, valid until November 10, 2022

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

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

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854360, January 3, 2022, Makati City

ACKNOWLEDGMENT

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


I certify that on 17 JAN 2022, before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

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

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

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

Doc. No. 56 ;  
Page No. 13 ;  
Book No. 4 ;  
Series of 2021. 2022

  
**ATTY. JOSHUA P. LAPUZ**  
Notary Public for Makati City  
Appointment No. M-19 until 12/31/2023  
Roll No. 45790 / IBP Life No. 04897 / 07 - 03 - 03  
PTR - O.R. No. 8852510 / 01 - 03 - 22 / Makati City  
MCLE No VI-0016565 / 01 - 14 - 19  
G/F Fedman Suites, 199 Salcedo Street,  
Legaspi Village, Makati City

January 15, 2022

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

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

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

Dear Ms. Encarnacion,

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

Please be advised that as of December 31, 2021, the remaining balance of the proceeds from the sale of 44 million AREIT Shares, amounts to One Billion Three Hundred Ninety-Eight Million One Hundred Eighty-Six Thousand Two Hundred Forty Pesos (Php1,398,186,240.00).

No disbursement was made during the Fourth Quarter of 2021.

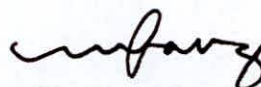
Gross Proceeds from sale of 44 million AREIT Shares as of May 5, 2021, Php	1, 408,000,000.00
Less: Transaction costs	<u>9,813,760.00</u>
Net Proceeds from sale of 44 million AREIT shares	1,398,186,240.00
Less: Disbursement May 5 to December 31, 2021	<u>0.00</u>
Balance of Proceeds from sale of AREIT Share as of December 31, 2021 Php	<u>1,398,186,240.00</u>

Thank you.

Very truly yours,



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




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



SUBSCRIBED AND SWORN to before me this JAN 17 2022 at Makati City, affiants exhibiting to me their identification documents as follows:

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

Doc No. 336 ;  
Page No. 6A ;  
Book No. XV ;  
Series of 2022 ;

  
**MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ**  
Notary Public - Makati City  
Appt. No. M-154 until December 31, 2021  
Roll of Attorneys No. 60896  
IBP No. 136246 - 12/21/2020 - Makati City  
PTR No. MKT8862852 - 01/11/2022 - Makati City  
MCLE Compliance No. VI -0009482 - 06/20/2018  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines



**STRICTLY CONFIDENTIAL**

**REPORT OF FACTUAL FINDINGS**

**AYALA LAND, INC.**

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

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

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report as at **December 31, 2021** on the use of the proceeds received by **Ayala Land, Inc.** (the "Company") from the block sale of its shares in **AREIT, Inc.** ("AREIT") on **May 5, 2021**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

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

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We checked whether there are additions and disbursements in the schedule and compare with the schedule of application of proceeds. There were no transactions during the 4<sup>th</sup> quarter (October to December).

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

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

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

**SYCIP GORRES VELAYO & CO.**



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

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

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

November 11, 2019, valid until November 10, 2022

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

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

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854360, January 3, 2022, Makati City

**ACKNOWLEDGMENT**

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


I certify that on 17 JAN 2022 before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

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

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

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

Doc. No. 57 ;  
Page No. 13 ;  
Book No. 4 ;  
Series of 2021. 2022

  
**ATTY. JOSHUA P. LAPUZ**  
Notary Public for Makati City  
Appointment No. M-19 until 12/31/2023  
Roll No. 45790 / IBP Life No. 04897 / 07 - 03 - 03  
PTR - O.R. No. 8852510 / 01 - 03 - 22 / Makati City  
MCLE No VI-0016565 / 01 - 14 - 19  
G/F Fedman Suites, 199 Salcedo Street,  
Legaspi Village, Makati City

January 28, 2022

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

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

Subject: Final Tranche Final Report on the Disbursement of Proceeds from the Sale of The  
30th Commercial Development ("The 30<sup>th</sup>") to AREIT, Inc. ("AREIT")

Dear Ms. Encarnacion,

We are pleased to submit the Final Report on the Application of Proceeds for the final tranche from the Sale of The 30th to AREIT, Inc., duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On January 29, 2021, Ayala Land, Inc. ("ALI") received net proceeds from the Sale of The 30th amounting to Three Billion Six Hundred Fifty One Million Four Hundred Seventeen Thousand Eight Hundred Fifty Seven Pesos and Fourteen Centavos (Php3,651,417,857.14).

As of January 28, 2022, ALI already disbursed the total net proceeds amounting to Four Billion Five Hundred Sixty-Four Million Two Hundred Eighty-Five Thousand Seven Hundred Fourteen and Twenty-Eight Centavos (Php4,564,285,714.28), in accordance with its Reinvestment plan.

The details of the disbursement are as follows:

Proceeds from Sale of The 30th, January 15, 2021 (Initial payment)	Php912,867,857.14
Proceeds from Sale of The 30th, January 29, 2021 (Final payment)	3,651,417,857.14
Total Proceeds from Sale of The 30 <sup>th</sup>	Php4,564,285,714.28
Less: Disbursements from January 16, 2021 to January 28, 2022	4,564,285,714.28
Balance of Proceeds from Sale of The 30 <sup>th</sup>	0

Thank you.

Very truly yours,



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



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

SUBSCRIBED AND SWORN to before me this JAN 28 2022 at Makati City, affiants exhibiting to me their identification documents as follows:

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

Doc No. 357 ;  
Page No. 73 ;  
Book No. XV ;  
Series of 2022 ;



A handwritten signature in blue ink, appearing to read "MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ".

**MA. FLORENCE THERESE D.G. MARTIREZ-CRUZ**  
Notary Public - Makati City  
Appt. No. M-154 until December 31, 2021  
Roll of Attorneys No. 60896  
IBP No. 136246 - 12/21/2020 - Makati City  
PTR No. MKT8862852 - 01/11/2022 - Makati City  
MCLE Compliance No. VI-0009482 - 06/20/2018  
28th Floor, Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

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

**STRICTLY CONFIDENTIAL**

**REPORT OF FACTUAL FINDINGS**

**AYALA LAND, INC.**

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

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

---

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Final Report as at **January 28, 2022** on the use of the proceeds for the final tranche from the sale of The 30th Commercial Development to AREIT, Inc. received on **January 29, 2021**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.'s (PSE) requirement to submit an external auditor's certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

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

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We checked whether there are additions and disbursements in the schedule and compared with the schedule of application of proceeds.

3. We traced the receipt of the net proceeds to the Bank Statements, noted the following:
- The Company received total proceeds approximately ₱4,564 million, exclusive of tax or ₱5,112 million, VAT inclusive.
  - The Company received ₱913 million on January 15, 2021 for the first tranche.
  - The remaining ₱3,651 million exclusive of VAT was received on January 29, 2021 for the final tranche.

We also checked the entry made in the books of the Company. No exceptions noted.

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

Distributing Entity	Amount	Project Name
ALI Eton Property Development Corporation	833,000,000.00	Parklinks (Mixed-use)
Cebu District Property Enterprise, Inc.	164,024,444.13	Gateway Central (Malls & Offices)
Unity Realty & Dev't Corp.	955,000,000.00	Pampanga Property
ALI Commercial Center Inc	943,196,788.50	One Ayala (Malls & BPO)
Amaia Land Corp	77,044,969.15	Cavite Property
Amaia Land Corp	61,000,000.00	Quezon City Property
Accendo Development Corp	119,684,770.86	Avida Towers Abreeza T1
Amaia Land Corp.	36,520,910.68	Amaia Steps Alabang Helena
Avida Land Inc.	335,000,000.00	Mandaluyong Property
Avida Land Inc.	81,628,212.80	Ilagan Property
Avida Land Inc.	67,035,109.47	Laguna Property
Avida Land Inc.	20,034,977.92	Batangas Property
Laguna Technopark Inc	135,000,000.00	Cavite Property
	<b>₱3,828,170,183.51</b>	

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

We also traced the amounts disbursed for the following projects amounting to ₱736 million to the progress billings, invoices and official receipts and agreed the amount to the accounting records. No exceptions noted.

Project Name	Amount
Arbor Lanes 1-5	97,190,715.62
Avida Towers Vireo T1-3	83,762,364.83
Avida Towers Sola T1-2	40,153,422.48
Tarlac Property	427,780,654.18
Orean Place 1	87,228,373.66
	<b>₱736,115,530.77</b>

5. We inquired into and identified the nature of the disbursements. We have noted the Amended Reinvestment Plan dated December 22, 2021 included the proceeds from the sale of The 30<sup>th</sup> Commercial Development to AREIT, Inc. We also checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of 30<sup>th</sup> proceeds as documented in the Amended Reinvestment Plan. We have noted that the abovementioned entities and the related projects were included in the Reinvestment Plan, and the amounts disbursed to these companies have not exceeded the planned use. No exceptions noted.



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

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

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

**SYCIP GORRES VELAYO & CO.**



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

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

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

November 11, 2019, valid until November 10, 2022

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

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

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854360, January 3, 2022, Makati City

ACKNOWLEDGMENT

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

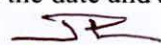
JAN 29 2022

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

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

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

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



**ATTY. JOSMAR**

Notary Public for Makati City

Appointment No. M-19 until 12/31/2023

Roll No. 45790 / IBP Life No. 04897 / 07-03-03

PTR - O.R. No. 8852510 / 01-03-22 / Makati City

MCLE No VI-0016565 / 01-14-19

G/F Fedman Suites, 199 Salcedo Street,

Legaspi Village, Makati City

Doc. No. 99 ;  
Page No. 21 ;  
Book No. 4 ;  
Series of 2021. 2022

April 7, 2022

**THE PHILIPPINE STOCK EXCHANGE**

Philippine Stock Exchange Plaza  
6<sup>th</sup> Floor, PSE Tower  
Bonifacio Global City, Taguig

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

Subject: Final Report on the Disbursement of Proceeds from the Sale of 44 million AREIT  
Shares

Dear Ms. Encarnacion,

We are pleased to submit our Final Report on the Application of Proceeds from the sale of 44 million AREIT Shares at a transaction price of PHP32.00 per share, duly certified by our external auditors, in compliance with the disclosure requirements of the Philippine Stock Exchange.

On May 5, 2021, Ayala Land, Inc. ("ALI") received gross proceeds from the sale of 44 million AREIT Shares amounting to One Billion Four Hundred Eight Million Pesos (Php1,408,000,000).

As of March 31, 2022, ALI already disbursed the total gross proceeds amounting to One Billion Four Hundred Eight Million Pesos (Php1,408,000,000) in accordance with its Reinvestment plan.

The details of the disbursement are as follows:

Gross Proceeds from sale of 44 million AREIT Shares as of May 5, 2021	Php1,408,000,000.00
Less: Disbursements from May 5, 2021 to March 31, 2022 (Annex A)	<u>Php1,408,000,000.00</u>
Balance of Proceeds from sale of AREIT Shares as of March 31, 2022	<u><u>0</u></u>

Thank you.

Very truly yours,



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



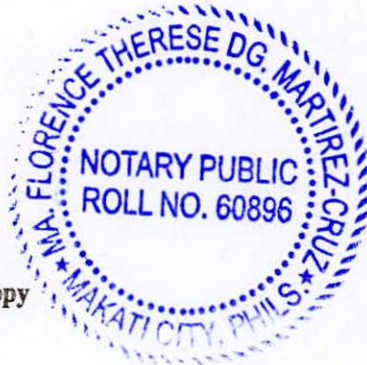
**Ma. Teresa R. Famy**  
AREIT, Inc.  
Chief Finance and Compliance Officer


SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at Makati City, affiants exhibiting to me their identification documents as follows: **APR 08 2022**

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

Doc No. 437 ;  
Page No. 89 ;  
Book No. XV ;  
Series of 2022 ;

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



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

**ANNEX A- Disbursements from January 1 to March 31, 2022**

<b>Disbursing Entity</b>	<b>Project Name</b>	<b>Amount</b>
Ayala Land Inc.	One Vertis Plaza	167,842,669.23
Ayala Land Inc.	Arbor Lanes 3-5	353,093,073.88
Ayala Land Inc.	Gardencourt	175,533,678.37
Ayala Land Inc.	Andacillo	175,796,424.97
Ayala Land Inc.	Orean Place T2	127,890,492.25
Avida Land Corp.	Manila Property	300,436,281.60
Avida Land Corp.	Avida Towers Riala T1-T5	98,252,365.13
Avida Land Corp.	Avida Towers Verge T1	9,155,014.57
<b>TOTAL</b>		<b>1,408,000,000.00</b>

**STRICTLY CONFIDENTIAL**

**REPORT OF FACTUAL FINDINGS**

**AYALA LAND, INC.**

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

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

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Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report as at **March 31, 2022** on the use of the proceeds received by **Ayala Land, Inc.** (the “Company”) from the block sale of its shares in **AREIT, Inc.** (“AREIT”) on **May 5, 2021**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.’s (PSE) requirement to submit an external auditor’s certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

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

We report our findings below:

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

<b>Distributing Entity</b>	<b>Amount</b>	<b>Project Name</b>
Avida Land Corp	₱300,436,281.60	Manila Property
Avida Land Corp	98,252,365.13	Avida Towers Riala T1-T5
Avida Land Corp	9,155,014.57	Avida Towers Verge T1
	<b>₱407,843,661.3</b>	

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

We also traced the amounts disbursed for the following projects amounting to ₱1,000.16 million to the progress billings, invoices and official receipts and agreed the amount to the accounting records. No exceptions noted.

<b>Project Name</b>	<b>Amount</b>
One Vertis Plaza	₱167,842,669.23
Arbor Lanes 3-5	353,093,073.88
Gardencourt	175,533,678.37
Andacillo	175,796,424.97
Orean Place T2	127,890,492.25
	<b>₱1,000,156,338.70</b>

3. We inquired into and identified the nature of the disbursements. We have noted the Amended Reinvestment Plan dated March 22, 2022 included the proceeds from the block sale of AREIT. We also checked if the disbursements were classified consistently according to its nature based on the schedule of planned use proceeds from the block sale of AREIT shares as documented in the Amended Reinvestment Plan. We have noted that the abovementioned entities and the related projects were included in the Reinvestment Plan, and the amounts disbursed to these companies have not exceeded the planned use. No exceptions noted.

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

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

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

**SYCIP GORRES VELAYO & CO.**



Michael C. Sabado

Partner

CPA Certificate No. 89336

Tax Identification No. 160-302-865

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

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

November 11, 2019, valid until November 10, 2022

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

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

BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854360, January 3, 2022, Makati City



**ACKNOWLEDGMENT**

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

**APR 08 2022**


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

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

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

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

Doc. No. 395 ;  
Page No. 80 ;  
Book No. 4 ;  
Series of 2022.

  
**ATTY. JOSHUA P. LAPUZ**  
Notary Public for Makati City  
Appointment No. M-19 until 12/31/2023  
Roll No. 45790 / IBP Life No. 04897 / 07-03-03  
PTR - O.R. No. 8852510 / 01-03-22 / Makati City  
MCLE No VI-0016565 / 01-14-19  
G/F Fedman Suites, 199 Salcedo Street,  
Legaspi Village, Makati City