



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

The management of AREIT, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**JOSE EMMANUEL H. JALANDONI**  
Chairman, Board of Directors

**CAROL T. MILLS**  
President & Chief Executive Officer

**MA. TERESA R. FAMY**  
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 27 2023 at Makati City, affiants exhibiting to me their respective Passports, to wit:

| <u>Name</u>                | <u>Passport No.</u> |
|----------------------------|---------------------|
| Jose Emmanuel H. Jalandoni | P6984078B           |
| Carol T. Mills             | P9958069A           |
| Ma. Teresa R. Famy         | R8757104B           |

| <u>Date &amp; Place of Issue</u> |
|----------------------------------|
| June 15, 2021 – DFA Manila       |
| December 17, 201 – DFA NCR South |
| January 25, 2022 – DFA Manila    |

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Page No. 37 ;  
Book No. xxxvii ;  
Series of 2023.



**MARIA PAULA G. ROMERO-BAUTISTA**  
Notary Public - Makati City  
Appt. No. M-079 until December 31, 2023  
Roll of Attorneys No. 58335  
IBP No. 264594 - 01/03/2023 - Makati City  
PTR No. 9566341MM - 01/03/2023 - Makati City  
MCLE Compliance No. VII-0020268 - 06/02/2022  
4<sup>th</sup> Floor Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

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

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |  |  |  |  |  |  |  |  |  |
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| Form Type | Department requiring the report | Secondary License Type, If<br>Applicable |
| A A F S   | S E C                           | N / A                                    |

COMPANY INFORMATION

|  |   |   |
|--|---|---|
| Company's Email Address<br><input type="text" value="corporateservices@aglegal.com.ph"/> | Company's Telephone Number<br><input type="text" value="(02) 7908-3804"/> | Mobile Number<br><input type="text" value="N/A"/>               |
| No. of Stockholders<br><input type="text" value="18"/>                                   | Annual Meeting (Month / Day)<br><input type="text" value="4/21"/>         | Fiscal Year (Month / Day)<br><input type="text" value="12/31"/> |

CONTACT PERSON INFORMATION

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

|   |  |                      |                                  |
|---|--|----------------------|----------------------------------|
| Name of Contact Person                          | Email Address  | Telephone Number/s   | Mobile Number                    |
| <input type="text" value="Ma. Teresa R. Famy"/> | <input type="text" value="famy.myrra@ayalaland.com.ph"/> | <input type="text"/> | <input type="text" value="N/A"/> |

CONTACT PERSON'S ADDRESS

|  |
|--|
| <b>28th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City</b> |
|--|

**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated. **2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the financial statements of AREIT, Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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

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



### **Valuation of Investment Properties**

The Company owns and operates investment properties located in Luzon and Visayas which comprise 89.9% of its total assets as of December 31, 2022. The investment properties are accounted for under the fair value method and the valuations were carried out by the management and an external valuer.

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

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

### **Audit Response**

We evaluated the reasonableness of the fair value computations, valuation methodology adopted and the underlying assumptions in connection with the valuations of investment properties of the Company as of December 31, 2022. These key assumptions include discount rates, growth rates and free cash flows. In addition, we assessed whether the discount rates used are within the acceptable range with the assistance from our internal valuation specialist and performed a certain sensitivity analysis. We evaluated the competence and independence of the external valuer engaged by the Company. We also assessed the sufficiency of disclosures in the financial statements.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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



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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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





- 4 -

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Maria Antoniette L. Aldea.

SYCIP GORRES VELAYO & CO.

*Maria Antoniette L. Aldea*

Maria Antoniette L. Aldea

Partner

CPA Certificate No. 116330

Tax Identification No. 242-586-416

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

SEC Partner Accreditation No. 116330-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

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

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

BIR Accreditation No. 08-001998-147-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564643, January 3, 2023, Makati City

February 24, 2023



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

|   | December 31            |                        |
|---|------------------------|------------------------|
|   | 2022                   | 2021                   |
| <b>ASSETS</b>   |                        |                        |
| <b>Current Assets</b>   |                        |                        |
| Cash (Notes 4 and 21)   | P62,753,382            | P92,010,744            |
| Receivables (Notes 5, 20 and 21)  | 1,919,183,751          | 1,320,940,578          |
| Other current assets (Notes 6 and 21)                                       | 155,825,886            | 110,291,205            |
| <b>Total Current Assets</b>   | <b>2,137,763,019</b>   | <b>1,523,242,527</b>   |
| <b>Noncurrent Assets</b>  |                        |                        |
| Noncurrent portion of receivables<br>(Notes 5 and 21)                       | 2,986,455,069          | 3,063,077,918          |
| Investment properties (Note 7)  | 60,871,459,005         | 50,081,060,761         |
| Property and equipment (Note 8)   | 598,631                | 309,716                |
| Other noncurrent assets (Note 6)  | 1,689,713,043          | 1,835,836,322          |
| <b>Total Noncurrent Assets</b>  | <b>65,548,225,748</b>  | <b>54,980,284,717</b>  |
|   | <b>P67,685,988,767</b> | <b>P56,503,527,244</b> |
| <b>LIABILITIES AND EQUITY</b>   |                        |                        |
| <b>Current Liabilities</b>  |                        |                        |
| Accounts and other payables (Notes 9 and 21)                                | P1,065,080,572         | P530,622,799           |
| Short-term debt (Notes 10 and 21)   | 300,000,000            | 890,000,000            |
| Current portion of long-term debt (Notes 10 and 21)                         | 2,977,693,930          | -                      |
| Current portion of deposits and other liabilities<br>(Notes 12 and 21)      | 527,675,373            | 735,086,847            |
| Current portion of lease liability (Note 18)                                | 50,290,868             | 42,967,375             |
| Construction bonds (Note 11)  | 98,584,276             | 58,579,640             |
| <b>Total Current Liabilities</b>  | <b>5,019,325,019</b>   | <b>2,257,256,661</b>   |
| <b>Noncurrent Liabilities</b>   |                        |                        |
| Long-term debt (Note 10)  | -                      | 2,957,472,367          |
| Deposits and other liabilities, net of current portion<br>(Notes 12 and 21) | 1,457,484,429          | 1,290,194,773          |
| Lease liability - net of current portion (Note 18)                          | 1,136,289,490          | 1,111,013,455          |
| <b>Total Noncurrent Liabilities</b>   | <b>2,593,773,919</b>   | <b>5,358,680,595</b>   |
| <b>Total Liabilities</b>  | <b>7,613,098,938</b>   | <b>7,615,937,256</b>   |
| <b>Equity (Note 13)</b>   |                        |                        |
| Paid-up capital   | 18,283,771,630         | 15,762,407,800         |
| Treasury shares   | (673,299,700)          | (673,299,700)          |
| Additional paid-in capital  | 20,021,645,532         | 11,333,074,693         |
| Retained earnings   | 22,440,772,367         | 22,465,407,195         |
| <b>Total Equity</b>   | <b>60,072,889,829</b>  | <b>48,887,589,988</b>  |
|   | <b>P67,685,988,767</b> | <b>P56,503,527,244</b> |

See accompanying Notes to Financial Statements.



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

|   | Years Ended December 31 |                       |                        |
|---|-------------------------|-----------------------|------------------------|
|   | 2022                    | 2021                  | 2020                   |
| <b>REVENUE</b>  |                         |                       |                        |
| Rental income (Notes 7, 14 and 18)                                  | ₱3,807,533,243          | ₱2,506,910,928        | ₱1,495,723,891         |
| Dues (Notes 7 and 15)   | 1,042,991,455           | 621,005,658           | 389,381,503            |
| Interest income from finance lease receivables<br>(Notes 15 and 18) | 222,321,826             | 188,547,234           | 150,814,117            |
|   | <b>5,072,846,524</b>    | <b>3,316,463,820</b>  | <b>2,035,919,511</b>   |
| <b>NET FAIR VALUE CHANGE IN INVESTMENT<br/>PROPERTIES (Note 7)</b>  |                         |                       |                        |
|   | <b>(548,953,984)</b>    | 164,502,279           | 1,424,645,596          |
| <b>COSTS AND EXPENSES</b>   |                         |                       |                        |
| Direct operating expenses (Notes 7 and 17)                          | 1,359,803,642           | 815,866,427           | 444,066,931            |
| General and administrative expenses (Note 17)                       | 79,490,176              | 103,397,784           | 49,474,313             |
|   | <b>1,439,293,818</b>    | <b>919,264,211</b>    | <b>493,541,244</b>     |
| <b>OTHER INCOME (CHARGES) – Net</b>                                 |                         |                       |                        |
| Interest income (Notes 4, 16 and 20)                                | 34,332,442              | 7,208,646             | 78,670,585             |
| Interest expense and other charges<br>(Notes 10, 12 and 17)         | (231,243,666)           | (185,459,737)         | (65,419,126)           |
| Gain under finance lease (Note 18)                                  | –                       | 49,763,675            | –                      |
| Other income (Note 16)  | –                       | 101,034               | 3,660,620              |
|   | <b>(196,911,224)</b>    | <b>(128,386,382)</b>  | <b>16,912,079</b>      |
| <b>INCOME BEFORE INCOME TAX</b>                                     | <b>2,887,687,498</b>    | <b>2,433,315,506</b>  | <b>2,983,935,942</b>   |
| <b>PROVISION FOR (BENEFIT FROM)<br/>INCOME TAX (Note 19)</b>        | <b>124,462</b>          | <b>48,466</b>         | <b>(3,280,878,846)</b> |
| <b>NET INCOME</b>   | <b>2,887,563,036</b>    | <b>2,433,267,040</b>  | <b>6,264,814,788</b>   |
| <b>OTHER COMPREHENSIVE INCOME</b>                                   | <b>–</b>                | <b>–</b>              | <b>–</b>               |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                   | <b>₱2,887,563,036</b>   | <b>₱2,433,267,040</b> | <b>₱6,264,814,788</b>  |
| <b>Basic/Diluted Earnings Per Share (Note 22)</b>                   | <b>₱1.91</b>            | <b>₱1.64</b>          | <b>₱6.29</b>           |

See accompanying Notes to Financial Statements.





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

|   | Years Ended December 31 |                 |                 |
|---|-------------------------|-----------------|-----------------|
|   | 2022                    | 2021            | 2020            |
| <b>PAID-UP CAPITAL (Note 13)</b>            |                         |                 |                 |
| <b>Common Shares - ₱10 par value</b>        |                         |                 |                 |
| Balance at beginning of year                | <b>₱15,762,407,800</b>  | ₱10,929,864,050 | ₱10,451,224,050 |
| Issuance of new shares                      | <b>2,521,363,830</b>    | 4,832,543,750   | 478,640,000     |
| Balance at end of year                      | <b>18,283,771,630</b>   | 15,762,407,800  | 10,929,864,050  |
| <b>ADDITIONAL PAID-IN CAPITAL (Note 13)</b> |                         |                 |                 |
| Balance at beginning of year                | <b>11,333,074,693</b>   | 785,681,404     | -               |
| Issuance of new shares                      | <b>8,736,525,671</b>    | 10,583,270,809  | 813,688,001     |
| Share issuance costs                        | <b>(47,954,832)</b>     | (35,877,520)    | (28,006,597)    |
| Balance at end of year                      | <b>20,021,645,532</b>   | 11,333,074,693  | 785,681,404     |
| <b>TREASURY SHARES (Note 13)</b>            |                         |                 |                 |
| Balance at beginning and end of year        | <b>(673,299,700)</b>    | (673,299,700)   | (673,299,700)   |
| <b>RETAINED EARNINGS (Note 13)</b>          |                         |                 |                 |
| Balance at beginning of year                | <b>22,465,407,195</b>   | 21,765,499,530  | 16,454,545,227  |
| Total comprehensive income/Net income       | <b>2,887,563,036</b>    | 2,433,267,040   | 6,264,814,788   |
| Cash dividends                              | <b>(2,912,197,864)</b>  | (1,733,359,375) | (953,860,485)   |
| Balance at end of year                      | <b>22,440,772,367</b>   | 22,465,407,195  | 21,765,499,530  |
|   | <b>₱60,072,889,829</b>  | ₱48,887,589,988 | ₱32,807,745,284 |

See accompanying Notes to Financial Statements.



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

|  | Years Ended December 31 |                  |                 |
|--|-------------------------|------------------|-----------------|
|  | 2022                    | 2021             | 2020            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                         |                  |                 |
| Income before income tax   | <b>₱2,887,687,498</b>   | ₱2,433,315,506   | ₱2,983,935,942  |
| Adjustments for:   |                         |                  |                 |
| Net fair value change in investment properties (Note 7)          | <b>548,953,984</b>      | (164,502,279)    | (1,424,645,596) |
| Depreciation and amortization (Notes 8 and 17)                   | <b>90,634</b>           | 42,043           | 8,036           |
| Interest expense (Notes 10, 12 and 17)                           | <b>208,368,633</b>      | 169,820,104      | 65,419,126      |
| Gain under finance lease (Note 16 and 18)                        | -                       | (49,763,675)     | -               |
| Interest income from finance lease receivables (Notes 16 and 21) | <b>(222,321,826)</b>    | (188,547,234)    | (150,814,117)   |
| Interest income (Notes 4, 16 and 20)                             | <b>(34,332,442)</b>     | (7,208,646)      | (78,670,585)    |
| Operating income before working capital changes                  | <b>3,388,446,481</b>    | 2,193,155,819    | 1,395,232,806   |
| Changes in operating assets and liabilities:                     |                         |                  |                 |
| Decrease (increase) in:  |                         |                  |                 |
| Receivables  | <b>(340,416,374)</b>    | (683,376,821)    | (90,137,357)    |
| Other assets   | <b>120,810,161</b>      | (717,596,933)    | (157,314,963)   |
| Increase (decrease) in:  |                         |                  |                 |
| Accounts and other payables                                      | <b>534,464,896</b>      | 15,789,571       | 280,552,617     |
| Deposits and other liabilities                                   | <b>(66,409,250)</b>     | 1,148,320,226    | 71,237,355      |
| Construction bonds   | <b>40,004,636</b>       | 58,579,640       | (11,105,498)    |
| Cash generated from operations                                   | <b>3,676,900,550</b>    | 2,014,871,502    | 1,488,464,960   |
| Interest received  | <b>256,654,268</b>      | 195,755,880      | 229,484,702     |
| Income tax paid  | <b>(124,462)</b>        | (48,466)         | (190,606,074)   |
| Net cash flows provided by operating activities                  | <b>3,933,430,356</b>    | 2,210,578,916    | 1,527,343,588   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                         |                  |                 |
| Decrease (increase) in due from related parties (Note 20)        | <b>(181,203,951)</b>    | 881,900,000      | (343,300,000)   |
| Payments for additions to investment properties (Note 7)         | <b>(81,462,725)</b>     | (5,019,127,301)  | (1,483,807,649) |
| Payments for additions to property and equipment (Note 8)        | <b>(379,549)</b>        | (339,706)        | -               |
| Net cash flows used in investing activities                      | <b>(263,046,225)</b>    | (4,137,567,007)  | (1,827,107,649) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |                         |                  |                 |
| Payments of dividends (Note 13)                                  | <b>(2,912,197,864)</b>  | (1,733,359,375)  | (953,860,485)   |
| Proceeds from short-term debt (Note 10)                          | <b>300,000,000</b>      | 34,379,500,000   | -               |
| Payments of short-term debt (Note 10)                            | <b>(890,000,000)</b>    | (33,489,500,000) | -               |
| Interest paid  | <b>(100,256,144)</b>    | (81,036,681)     | -               |
| Payment of share issuance cost (Note 13)                         | <b>(47,954,832)</b>     | (35,877,520)     | (28,006,597)    |
| Payments of lease liability (Note 18)                            | <b>(49,232,653)</b>     | (37,177,503)     | (32,796,936)    |

(Forward)



|  | Years Ended December 31 |                    |                    |
|--|-------------------------|--------------------|--------------------|
|  | 2022                    | 2021               | 2020               |
| Net proceeds from long-term debt                             | ₱-                      | ₱2,957,472,367     | ₱-                 |
| Net proceeds from issuance of shares<br>(Notes 13 and 17)    | -                       | -                  | 1,251,225,020      |
| Net cash flows provided by (used in)<br>financing activities | <b>(3,699,641,493)</b>  | 1,960,021,288      | 236,561,002        |
| <b>NET INCREASE (DECREASE) IN CASH</b>                       | <b>(29,257,362)</b>     | 33,033,197         | (63,203,059)       |
| <b>CASH AT BEGINNING OF YEAR</b>                             | <b>92,010,744</b>       | 58,977,547         | 122,180,606        |
| <b>CASH AT END OF YEAR (Note 4)</b>                          | <b>₱62,753,382</b>      | <b>₱92,010,744</b> | <b>₱58,977,547</b> |

See accompanying Notes to Financial Statements.



## AREIT, INC.

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

As of December 31, 2022, the Company is publicly-listed, 54.88%-owned by Ayala Land Inc. (ALI), 5.47%-owned by AyalaLand Offices, Inc. (ALOI), 2.13%-owned by Westview Commercial Ventures Corp. (WCVC), a wholly-owned subsidiary of ALI, 3.53%-owned by Glensworth Development, Inc. (GDI), a wholly owned subsidiary of ALOI, and the rest by the public. ALI's parent is Ayala Corporation (AC). AC is 47.91%-owned by Mermac, Inc., and the rest by the public. Both ALI and AC are publicly listed companies domiciled and incorporated in the Philippines.

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

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

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

The operational and administrative functions of the Company are handled by ALI before its listing. Beginning August 13, 2020, AREIT Fund Managers, Inc., and AREIT Property Managers, Inc., handle the fund manager functions and property management functions of the Company, respectively (see Note 20).

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on February 24, 2023.



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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

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

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

### Statement of Compliance

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

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the 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*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- *Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- *Amendments to PAS 41, Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

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

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

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

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

#### *Effective beginning on or after January 1, 2024*

- *Amendments to PAS 1, Classification of Liabilities as Current or Non-current*
- *Amendments to PFRS 16, Lease Liability in a Sale and Leaseback*

#### *Effective beginning on or after January 1, 2025*

- *PFRS 17, Insurance Contracts*

#### *Deferred effectivity*

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

#### Current and Noncurrent Classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,



- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are noncurrent.

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

#### Cash

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

#### Financial Instruments

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

#### *Financial assets*

##### Initial recognition and measurement

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

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

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

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

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



### Subsequent measurement

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

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

### Financial assets at amortized cost (debt instruments)

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

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

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

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

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

### *Financial liabilities*

### Initial recognition and measurement

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

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

### Subsequent measurement

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

### Loans and borrowings

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

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

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





### Derecognition of Financial Instruments

#### *Financial asset*

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

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

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

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

#### *Financial liability*

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

### Impairment of Financial Assets

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

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

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

The Company considers a financial asset in default when contractual payments are 90 days past due since security deposits are equivalent to 90 days which are paid at the start of the lease term which will cover any defaults. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive



the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting arrangements, where the related assets and liabilities are presented at gross in the statement of financial position.

#### Fair Value Measurement

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

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

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

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

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

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

#### Fair Value Hierarchy

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

Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - valuation techniques for which the lowest level input that it is significant to the fair value measurement is unobservable

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

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



#### Other Assets

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

#### *Input VAT*

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

#### *Deferred input VAT*

Deferred input VAT represents input VAT on unpaid purchase of goods and/or services.

#### *Creditable withholding taxes*

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

#### *Recoverable deposits*

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

#### *Advances to contractors*

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

#### Investment Properties

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

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

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

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

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



#### Impairment of Nonfinancial Assets

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

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

#### Deposits and Other Liabilities

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

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

#### Equity

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

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

When the shares are sold at premium, the difference between the proceeds at the par value is credited to APIC. Direct costs incurred related to equity issuance (share issuance costs) are chargeable to APIC. If APIC is not sufficient, the excess is charged against retained earnings.

##### *Share issuance costs*

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

##### *Treasury shares*

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



excess of cost over par value upon retirement is charged to APIC when the shares were issued and to retained earnings for the remaining balance.

*Retained earnings*

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

Revenue Recognition

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

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

*Dues*

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

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

For the provision of CUSA and air-conditioning of the buildings, the Company acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air-conditioning charges. Billing from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant.

*Other income*

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

*Disaggregated revenue information*

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

*Allocation of transaction price to performance obligation*

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



*Timing of revenue recognition*

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

*Income outside the scope of PFRS 15*

*Rental income*

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

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

*Interest income from finance lease receivables*

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

*Interest income*

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

*Costs and Expenses*

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

Costs and expenses are recognized:

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

*Leases*

*The Company as lessor - operating lease*

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

*The Company as lessor - finance lease*

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



*The Company as lessee*

*Right-of-use asset*

The Company recognizes right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) except when the rental payment is purely variable linked to the future performance or use of an underlying asset. Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Company accounts for right-of-use asset using fair value model in accordance with the policy as stated under investment properties. Right-of-use asset are subject to impairment.

*Lease liabilities*

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

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

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

Income Tax

*Current tax*

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

Earnings Per Share (EPS)

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



### Segment Reporting

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

### Provisions

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

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

### Contingencies

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

### Events After the End of the Reporting Period

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

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## 3. Summary of Significant Accounting Estimates, Judgments and Assumptions

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

### Judgments

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

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

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

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





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

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

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

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

*Operating lease commitments - the Company as lessor*

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

*Finance lease commitments - the Company as lessor*

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

*Evaluation whether the acquired set of assets constitute a business*

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

See Note 7 for details of the acquired properties in 2022 and 2021 from various parties.

Estimates and Assumptions

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

*Provision for expected credit losses of trade receivables*

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

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



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

The carrying value of the Company's receivables amounted to ₱4,905.64 million and ₱4,384.02 million as of December 31, 2022 and 2021 respectively, net of allowance for credit losses amounting to ₱60.40 million and ₱37.46 million as of December 31, 2022 and 2021, respectively (see Note 5).

*Evaluating impairment of nonfinancial assets carried at costs*

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

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

As of December 31, 2022 and 2021, the Company's allowance for probable loss on CWT amounted to ₱72.00 million and ₱33.00 million, respectively (see Notes 6 and 17).

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

|                                       | <b>2022</b>           | 2021          |
|---------------------------------------|-----------------------|---------------|
| Input VAT (Note 6)                    | <b>₱1,185,662,489</b> | ₱959,608,313  |
| Deferred input VAT (Note 6)           | <b>548,188,358</b>    | 885,255,771   |
| Creditable withholding taxes (Note 6) | <b>96,644,360</b>     | 85,587,338    |
|                                       | <b>₱830,495,207</b>   | 1,930,451,422 |

*Valuation of investment properties held at fair value*

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

Fair value of investment properties amounted to ₱60,871.46 million and ₱50,081.06 million as of December 31, 2022 and 2021, respectively. Net fair value change in investment properties recognized in profit or loss amounted to decrease of ₱548.95 million, increase of ₱164.50 million and increase of ₱1,424.65 million for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 7).

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**4. Cash**

This account consists of:

|               | <b>2022</b>        | 2021        |
|---------------|--------------------|-------------|
| Cash on hand  | <b>₱72,500</b>     | ₱42,500     |
| Cash in banks | <b>62,680,882</b>  | 91,968,244  |
|               | <b>₱62,753,382</b> | ₱92,010,744 |



Cash in banks earn interest at the respective bank deposit rates which ranges from 0.35% to 0.85% in 2022 and 2021. Interest income earned from cash in banks amounted to ₱0.62 million, ₱0.24 million and ₱0.36 million in 2022, 2021 and 2020, respectively (see Note 16).

## 5. Receivables

This account consists of:

|   | 2022                  | 2021           |
|---|-----------------------|----------------|
| Finance lease receivable (Notes 18, 20 and 21)      | <b>₱3,221,146,005</b> | ₱3,285,820,422 |
| Due from related parties (Note 20)                  | <b>1,095,318,852</b>  | 914,114,901    |
| Trade receivables – billed                          | <b>647,588,205</b>    | 220,680,256    |
| Other receivables                                   | <b>1,990,659</b>      | 858,963        |
|   | <b>4,966,043,721</b>  | 4,421,474,542  |
| Less allowance for credit losses                    | <b>60,404,901</b>     | 37,456,046     |
|   | <b>4,905,638,820</b>  | 4,384,018,496  |
| Less noncurrent portion of finance lease receivable | <b>2,986,455,069</b>  | 3,063,077,918  |
|   | <b>₱1,919,183,751</b> | ₱1,320,940,578 |

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

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

The movements in allowance for credit losses follows:

|                              | 2022               | 2021        |
|------------------------------|--------------------|-------------|
| Balance at beginning of year | <b>₱37,456,046</b> | ₱14,923,759 |
| Provision (Notes 17 and 21)  | <b>22,948,855</b>  | 22,532,287  |
| Balance at end of year       | <b>₱60,404,901</b> | ₱37,456,046 |

## 6. Other Assets

### Other Current Assets

This account consists of:

|                      | 2022                | 2021         |
|----------------------|---------------------|--------------|
| Input VAT            | <b>₱141,061,071</b> | ₱97,794,584  |
| Recoverable deposits | <b>14,764,815</b>   | 12,496,621   |
|                      | <b>₱155,825,886</b> | ₱110,291,205 |

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

Recoverable deposits pertain to various utility deposits.



Other Noncurrent Assets

This account consists of:

|  | 2022                  | 2021           |
|--|-----------------------|----------------|
| Input VAT                                    | <b>₱1,044,601,418</b> | ₱861,813,729   |
| Deferred input VAT                           | <b>548,188,358</b>    | 885,255,771    |
| Creditable withholding taxes                 | <b>168,644,360</b>    | 118,587,338    |
| Advances to contractors                      | <b>278,907</b>        | 3,179,484      |
|  | <b>1,761,713,043</b>  | 1,868,836,322  |
| Less allowance for possible losses (Note 17) | <b>72,000,000</b>     | 33,000,000     |
|  | <b>₱1,689,713,043</b> | ₱1,835,836,322 |

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

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

Creditable withholding taxes represent the amount withheld by the Company. These are recognized upon collection of the related lease receivable. The Company recognized provision for probable loss on CWT amounting to ₱39.00 million and ₱33.00 million in 2022 and 2021, respectively (see Note 17).

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

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**7. Investment Properties**

|  | 2022                   | 2021            |
|--|------------------------|-----------------|
| Beginning of the year                  | <b>₱50,081,060,761</b> | ₱29,189,674,985 |
| Acquisitions                           | <b>11,334,580,967</b>  | 21,577,487,178  |
| Property under finance lease (Note 18) | -                      | (886,240,458)   |
| Fair value adjustment                  | <b>(544,182,723)</b>   | 200,139,056     |
|  | <b>₱60,871,459,005</b> | ₱50,081,060,761 |

On December 29, 2022, SEC approved the property-for-share-swap via tax-free exchange transaction of the Company. These were acquired from ALI and involves six commercial properties namely:

- eBloc 1- A twelve (12)-level, Philippine Economic Zone Authority ("PEZA")-accredited office development, located in Cebu IT Park with gross leasable area of 20,841.90 square meters (sq.m).
- eBloc 2- A seventeen (17)-level, PEZA-accredited office development, located in Cebu IT Park with gross leasable area of 27,727.33 sq.m.
- eBloc 3- A twelve (12)-level, PEZA-accredited office development, located in Cebu IT Park with gross leasable area of 15,233.00 sq.m.
- eBloc 4- A twelve (12)-level, PEZA-accredited office development, located in Cebu IT Park with gross leasable area of 16,166.63 sq.m.
- ACC Tower- A twenty (20)-level, PEZA-accredited office development, located in Ayala Center Cebu, Cebu Business Park with gross leasable area of 27,517.00 sq.m.
- Tech Tower- A twelve (12)-level, PEZA-accredited office development, located along Sumilon corner Camiguin Roads, Cebu City with gross leasable area of 16,812.74 sq.m.



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

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

On October 7, 2021, SEC approved the property-for-share-swap via tax-free exchange transaction of the Company. These were acquired from ALI, GDI and WCVL 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 December 31, 2022, the investment properties are composed of thirteen (13) stand-alone buildings, three (3) mixed-used properties, nine (9) condominium office units, and four (4) land parcels. The stand-alone buildings are Solaris One and McKinley Exchange located in Makati City, Teleperformance Cebu, eBloc Towers 1-4 which are located at Cebu I.T. Park, Cebu City, ACC Tower located in Ayala Center Cebu, Cebu Business Park, Tech Tower located along Sumilon cor. Camiguin Roads, Ceb 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 as of December 31, 2022.

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.

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

**December 31, 2022**

|                       | Date of valuation | Total           | Fair value measurement using              |   |   |
|-----------------------|-------------------|-----------------|---|---|---|
|                       |                   |                 | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Investment properties | December 31, 2022 | ₱60,871,459,005 | ₱-  | ₱-                                      | ₱60,871,459,005                           |

**December 31, 2021**

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

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

|  | 2022           | 2021         | 2020           |
|--|----------------|--------------|----------------|
| Increase (decrease) in fair value of investment properties | (₱544,182,723) | ₱200,139,056 | ₱1,479,137,317 |
| Straight-line adjustment                                   | 17,813,632     | (35,636,777) | (47,442,179)   |
| Lease commissions  | (22,584,893)   | -            | (7,049,542)    |
|  | (₱548,953,984) | ₱164,502,279 | ₱1,424,645,596 |

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

|                                     | 2022           | 2021           | 2020           |
|-------------------------------------|----------------|----------------|----------------|
| Rental income (Note 14)             | ₱3,807,533,243 | ₱2,506,910,928 | ₱1,495,723,891 |
| Dues (Note 15)                      | 1,042,991,455  | 621,005,658    | 389,381,503    |
| Direct operating expenses (Note 17) | 1,359,803,642  | 815,866,427    | 444,066,931    |

There are no items of investment properties that are pledged as security to liabilities as of December 31, 2022 and 2021.

There are no contractual purchase commitments for investment properties as of December 31, 2022 and 2021.



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## 8. Property and Equipment

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

|                                      | 2022             | 2021             |
|--------------------------------------|------------------|------------------|
| <b>Cost</b>                          |                  |                  |
| Balance at beginning and end of year | P2,228,578       | P1,888,872       |
| Additions                            | 379,549          | 339,706          |
| Balance at end of year               | <u>2,608,127</u> | <u>2,228,578</u> |
| <b>Accumulated Depreciation</b>      |                  |                  |
| Balance at beginning of year         | 1,918,862        | 1,876,819        |
| Depreciation (Note 17)               | 90,634           | 42,043           |
| Balance at end of year               | <u>2,009,496</u> | <u>1,918,862</u> |
| <b>Net Book Value</b>                | <u>P598,631</u>  | <u>P309,716</u>  |

There are no items of property and equipment that are pledged as security to liabilities as of December 31, 2022 and 2021.

There are no contractual purchase commitments for property and equipment as of December 31, 2022 and 2021.

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## 9. Accounts and Other Payables

This account consists of:

|                                  | 2022                  | 2021                |
|----------------------------------|-----------------------|---------------------|
| Due to related parties (Note 21) | P756,623,441          | P299,429,900        |
| Accrued expenses                 |                       |                     |
| Light and water                  | 41,848,381            | 22,492,161          |
| Rent                             | 24,956,211            | 13,413,162          |
| Repairs and maintenance          | 14,040,220            | 7,546,168           |
| Others                           | 43,658,602            | 23,971,364          |
| Taxes payable                    | 90,768,937            | 61,777,639          |
| Accounts payable                 | 89,098,143            | 99,045,078          |
| Retention payable                | 3,188,012             | 2,041,577           |
| Interest payable                 | 898,625               | 905,750             |
|                                  | <u>P1,065,080,572</u> | <u>P530,622,799</u> |

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

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

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

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



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

This account consists of:

|                                   | 2022                 | 2021                  |
|-----------------------------------|----------------------|-----------------------|
| Short-term loan                   | ₱300,000,000         | ₱890,000,000          |
| Bonds due on 2023                 | 3,000,000,000        | 3,000,000,000         |
|                                   | <b>3,300,000,000</b> | 3,890,000,000         |
| Less unamortized transaction cost | 22,306,070           | 42,527,633            |
|                                   | <b>3,277,693,930</b> | 3,847,472,367         |
| Less current portion              | 3,277,693,930        | 890,000,000           |
|                                   | <b>₱-</b>            | <b>₱2,957,472,367</b> |

In 2022 and 2021, the Company availed short-terms loans payable with different local banks amounting to ₱300.00 million and ₱890.00 million, respectively, which pertains to unsecured and interest bearing 30-day loans with interest rate of 5.5% and 1.95%, respectively.

Interest expense recognized in the statements of comprehensive income amounted to ₱100.25 million and ₱81.94 million for the year ended December 31, 2022 and 2021, (see Note 17; nil in 2020). The remaining unpaid interest amounted to ₱0.90 million and ₱0.91 million as of December 31, 2022 and 2021, respectively.

### *Philippine Peso 3-year bonds due 2023*

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

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

Debt issue costs amounted to ₱42.70 million in 2021. Amortization amounted to ₱20.26 million and ₱0.18 million in 2022 and 2021, respectively and included under "Other charges" (see Note 17).

## 11. Construction Bonds

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

The carrying value of the Company's construction bonds amounted to ₱98.58 million and ₱58.58 million as of December 31, 2022 and 2021, respectively.





## 12. Deposits and Other Liabilities

This account consists of:

|                             | 2022                  | 2021                  |
|-----------------------------|-----------------------|-----------------------|
| Security deposits (Note 21) | P1,044,320,392        | P942,749,081          |
| Advance rentals             | 882,850,489           | 999,233,922           |
| Deferred credits            | 57,988,921            | 83,298,617            |
|                             | <b>1,985,159,802</b>  | <b>2,025,281,620</b>  |
| Less current portion        | 527,675,373           | 735,086,847           |
|                             | <b>P1,457,484,429</b> | <b>P1,290,194,773</b> |

The current portion of these accounts follows:

|                             | 2022                | 2021                |
|-----------------------------|---------------------|---------------------|
| Security deposits (Note 21) | P273,861,011        | P436,882,890        |
| Advance rentals             | 235,450,965         | 286,265,507         |
| Deferred credits            | 18,363,397          | 11,938,450          |
|                             | <b>P527,675,373</b> | <b>P735,086,847</b> |

### *Security deposits*

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

The rollforward of security deposits follows:

|                              | 2022                  | 2021                 |
|------------------------------|-----------------------|----------------------|
| <b>Gross Amount</b>          |                       |                      |
| Balance at beginning of year | P1,039,267,466        | P460,762,969         |
| Additions                    | 85,977,166            | 582,212,828          |
| Refunds                      | (9,474,286)           | (3,708,331)          |
| Balance at end of year       | <b>1,115,770,346</b>  | <b>1,039,267,466</b> |
| <b>Unamortized Discount</b>  |                       |                      |
| Balance at beginning of year | 96,518,385            | 77,554,254           |
| Additions                    | 1,219,002             | 43,832,274           |
| Accretion (Note 17)          | (26,287,433)          | (24,868,143)         |
| Balance at end of year       | <b>71,449,954</b>     | <b>96,518,385</b>    |
| <b>Net Amount</b>            | <b>P1,044,320,392</b> | <b>P942,749,081</b>  |

### *Advance rentals*

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

### *Deferred credits*

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

The rollforward of deferred credits follows:

|                              | 2022               | 2021               |
|------------------------------|--------------------|--------------------|
| Balance at beginning of year | P83,298,617        | P61,932,409        |
| Additions                    | 1,219,002          | 43,832,274         |
| Amortization (Note 14)       | (26,528,698)       | (22,466,066)       |
| Balance at end of year       | <b>57,988,921</b>  | <b>83,298,617</b>  |
| Less current portion         | 18,363,397         | 11,938,450         |
|                              | <b>P39,625,524</b> | <b>P71,360,167</b> |



### 13. Equity

#### Capital stock

The details of the Company's capital stock as of December 31, 2022 and 2021 follow:

|                               | <b>2022</b>          | 2021          |
|-------------------------------|----------------------|---------------|
| 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>1,761,047,193</b> | 1,508,910,810 |

The changes in the number of common shares follow:

|   | <b>2022</b>          | 2021          | 2020          |
|---|----------------------|---------------|---------------|
| Authorized number of shares                           |                      |               |               |
| Balance at beginning of year at ₱10 par value         | <b>2,950,000,000</b> | 1,174,000,000 | 1,174,000,000 |
| Increase in authorized capital stock at ₱10 par value | -                    | 1,776,000,000 | -             |
| <b>Balance at end of year</b>                         | <b>2,950,000,000</b> | 2,950,000,000 | 1,174,000,000 |
| Issued shares   |                      |               |               |
| Balance at beginning of year                          | <b>1,576,240,780</b> | 1,092,986,405 | 1,045,122,405 |
| Issuance of new shares                                | <b>252,136,383</b>   | 483,254,375   | 47,864,000    |
| <b>Balance at end of year</b>                         | <b>1,828,377,163</b> | 1,576,240,780 | 1,092,986,405 |
| Treasury shares                                       |                      |               |               |
| Balance at beginning and end of year                  | <b>(67,329,970)</b>  | (67,329,970)  | (67,329,970)  |
| <b>Outstanding</b>                                    | <b>1,761,047,193</b> | 1,508,910,810 | 1,025,656,435 |

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

On October 7, 2021, the SEC 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, WVCV and GDI of shares in exchange for the identified properties for 483,254,375 common shares with an exchange price of ₱32 per share.

On March 10, 2022 and April 21, 2022, the Company's BOD and its stockholders approved the issuance of 252,136,383 primary common shares of stock of the Company to ALI at an issue price of ₱44.65 per share in exchange for the identified properties. On December 29, 2022, SEC approved the property-for-share swap transaction.

#### Initial Public Offering (IPO)

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

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

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



#### Additional Paid-in Capital (APIC)

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

In 2021, the Company recorded APIC amounting to ₱10,547.39 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 ₱35.88 million in 2021.

In 2022, the Company recorded APIC amounting to ₱8,688.57 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 ₱47.95 million in 2022.

#### Retained Earnings

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

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

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

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

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

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

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.

On May 19, 2022, the Company's BOD approved the declaration of cash dividends for the first quarter of 2022, amounting to ₱0.48 per outstanding common share to stockholders on record as of June 02, 2022, amounting to ₱724.28 million. The cash dividend was paid on June 17, 2022, to stockholders.



On August 12, 2022, the Company's BOD approved the declaration of cash dividends for the second quarter of 2022, amounting to ₱0.49 per outstanding common share to stockholders on record as of August 26, 2022, amounting to ₱739.37 million. The cash dividend was paid on September 09, 2022, to stockholders.

On October 11, 2022, the Company's BOD approved the declaration of cash dividends for the third quarter of 2022, amounting to ₱0.49 per outstanding common share to stockholders on record as of October 25, 2022, amounting to ₱739.37 million. The cash dividend paid on November 10, 2022, to stockholders.

#### Capital Management

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

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

|                            | <b>2022</b>            | 2021            |
|----------------------------|------------------------|-----------------|
| Paid-up capital            | <b>₱18,283,771,630</b> | ₱15,762,407,800 |
| Additional paid-in capital | <b>20,021,645,532</b>  | 11,333,074,693  |
| Treasury shares            | <b>(673,299,700)</b>   | (673,299,700)   |
| Retained earnings          | <b>22,440,772,367</b>  | 22,465,407,195  |
|                            | <b>₱60,072,889,829</b> | ₱48,887,589,988 |

The Company is subject to externally imposed capital requirements from its debt covenants and the requirement of the REIT law section 8.10: *Aggregate Leverage Limit* (see Note 10). As of December 31, 2022 and 2021, the Company is compliant with its debt covenants and requirements. Other than this, there are no changes made in the Company's capital management objectives, policies or processes in 2022, 2021 and 2020.

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#### 14. Rental Income

This account consists of:

|   | <b>2022</b>           | 2021           | 2020           |
|---|-----------------------|----------------|----------------|
| Office and retail (Note 18)                   | <b>₱3,626,926,514</b> | ₱2,375,942,463 | ₱1,407,588,642 |
| Parking fees (Note 18)                        | <b>154,078,031</b>    | 108,502,399    | 72,409,517     |
| Amortization of deferred credits<br>(Note 12) | <b>26,528,698</b>     | 22,466,066     | 15,725,732     |
|   | <b>₱3,807,533,243</b> | ₱2,506,910,928 | ₱1,495,723,891 |

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions. Rent discounts and concessions given vary for merchants that are (1) forced to close and those that are still (2) operational. Rental fees and common charges of merchants who were forced to close during the quarantine period were waived a certain percentage in their common area usage expenses (see Note 18).



## 15. Dues and Interest Income from Finance Lease Receivables

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

|                     | 2022                  | 2021         | 2020         |
|---------------------|-----------------------|--------------|--------------|
| Dues:               |                       |              |              |
| Common area charges | <b>₱880,438,679</b>   | ₱535,376,072 | ₱310,003,926 |
| Utilities dues      | <b>162,552,776</b>    | 85,629,586   | 79,377,577   |
|                     | <b>₱1,042,991,455</b> | ₱621,005,658 | ₱389,381,503 |

### *Interest income from finance lease receivables*

This account pertains to accretion of finance lease receivable amounting to ₱222.32 million, ₱188.55 million and ₱150.81 million in 2022, 2021 and 2020, respectively (see Note 18).

## 16. Interest and Other Income

### Interest Income

This account consists of:

|                              | 2022               | 2021       | 2020        |
|------------------------------|--------------------|------------|-------------|
| Interest income from:        |                    |            |             |
| Intercompany loans (Note 20) | <b>₱33,710,130</b> | ₱6,966,317 | ₱78,306,379 |
| Cash in banks (Note 4)       | <b>622,312</b>     | 242,329    | 364,206     |
|                              | <b>₱34,332,442</b> | ₱7,208,646 | ₱78,670,585 |

### Other Income

This account pertains to income earned from interest and penalties arising from late payments amounting to ₱0.10 million and ₱3.66 million in 2021 and 2020, respectively (nil in 2022).

## 17. Costs and Expenses and Other Charges

### Direct Operating Expenses

This account consists of:

|                              | 2022                  | 2021         | 2020         |
|------------------------------|-----------------------|--------------|--------------|
| Management fees (Note 20)    | <b>₱398,075,418</b>   | ₱267,294,759 | ₱97,850,770  |
| Taxes and licenses           | <b>363,304,266</b>    | 204,801,681  | 139,690,380  |
| Land lease (Notes 18 and 20) | <b>262,034,140</b>    | 168,962,930  | 110,552,423  |
| Repairs and maintenance      | <b>165,399,042</b>    | 83,328,757   | 38,119,740   |
| Outside services             | <b>119,284,197</b>    | 64,167,146   | 40,912,975   |
| Insurance                    | <b>14,357,866</b>     | 9,617,107    | 8,249,699    |
| Miscellaneous                | <b>10,524,065</b>     | 5,643,292    | 5,261,390    |
| Others                       | <b>26,824,648</b>     | 12,050,755   | 3,429,554    |
|                              | <b>₱1,359,803,642</b> | ₱815,866,427 | ₱444,066,931 |



General and Administrative Expenses

This account consists of:

|   | 2022               | 2021         | 2020        |
|---|--------------------|--------------|-------------|
| Provision for probable losses<br>(Note 6)   | <b>₱39,000,000</b> | ₱33,000,000  | ₱-          |
| Provision for doubtful accounts<br>(Note 5) | <b>22,948,855</b>  | 22,532,287   | 7,258,842   |
| Professional fees                           | <b>4,603,471</b>   | 4,461,905    | 6,529,287   |
| System costs                                | <b>4,185,393</b>   | 5,359,691    | -           |
| Taxes and licenses                          | <b>3,008,543</b>   | 31,437,964   | 26,806,570  |
| Depreciation (Note 8)                       | <b>90,634</b>      | 42,043       | 8,036       |
| Others                                      | <b>5,653,280</b>   | 6,563,894    | 8,871,578   |
|   | <b>₱79,490,176</b> | ₱103,397,784 | ₱49,474,313 |

Interest Expense

This account consists of:

|   | 2022                | 2021         | 2020        |
|---|---------------------|--------------|-------------|
| Interest expense from:                      |                     |              |             |
| Short-term and long-term<br>loans (Note 10) | <b>₱100,249,019</b> | ₱81,942,431  | ₱-          |
| Lease liabilities (Note 18)                 | <b>81,832,181</b>   | 63,009,530   | 51,490,870  |
| Accretion of security deposit<br>(Note 12)  | <b>26,287,433</b>   | 24,868,143   | 13,928,256  |
|   | <b>₱208,368,633</b> | ₱169,820,104 | ₱65,419,126 |

Other Charges

This account consists of the amortization of bond issue cost amounting to ₱20.26 million and ₱0.18 million in 2022 and 2021 and bank and other charges amounting to ₱2.62 million in 2022 and PSE filing fee related to listing of property-for-shares transaction amounting to ₱15.46 million in 2021.

**18. Agreements and Lease Commitments**

*The Company as lessor - operating lease*

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

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

|  | 2022                   | 2021           | 2020           |
|--|------------------------|----------------|----------------|
| Within one year                                | <b>₱2,854,784,345</b>  | ₱2,258,171,359 | ₱1,580,530,864 |
| After one year but not more than<br>five years | <b>8,021,660,128</b>   | 5,264,621,359  | 5,332,899,560  |
| More than five years                           | <b>335,045,027</b>     | 418,483,308    | 492,474,823    |
|  | <b>₱11,211,489,500</b> | ₱7,941,276,026 | ₱7,405,905,247 |

Total rental income amounted to ₱3,807.53 million, ₱2,506.91 million and ₱1,495.72 million in 2022, 2021 and 2020, respectively (see Note 14). Rental income arising from variable rent based on gross sales amounted to ₱9.08 million, ₱5.65 million and ₱5.98 million in 2022, 2021 and 2020, respectively.



In 2021 and 2020, the Company granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱48.07 million and ₱37.59 million, respectively. These rent concessions did not qualify as a lease modification, thus, were accounted for as a variable lease payment and reported as reduction of lease income in 2021 and 2020 (nil in 2022).

*The Company as lessor - finance lease*

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

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

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

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

|   | 2022                  | 2021           | 2020           |
|---|-----------------------|----------------|----------------|
| Within one year   | <b>₱234,690,936</b>   | ₱236,172,830   | ₱189,728,000   |
| More than one year and not more than five years                   | <b>946,965,562</b>    | 943,485,358    | 650,496,000    |
| More than 5 years   | <b>7,465,937,702</b>  | 8,465,334,764  | 5,390,029,750  |
| Total undiscounted lease payments and unguaranteed residual value | <b>8,647,594,200</b>  | 9,644,992,952  | 6,230,253,750  |
| Less: unearned finance income                                     | <b>5,426,448,195</b>  | 6,359,172,530  | 3,987,672,695  |
| Net investment in the lease                                       | <b>₱3,221,146,005</b> | ₱3,285,820,422 | ₱2,242,581,055 |

The net investment in the lease with MNHVI and NECC consists of the present value of minimum lease payments amounting to ₱2,221.09 million and ₱936.00 million, respectively. The Company derecognized the portion of investment property under finance lease amounting to ₱886.24 million which resulted in a gain under finance lease amounting ₱49.76 million in 2021 (nil in 2022 and 2020, see Note 7). The Company also recognized interest income earned amounting to ₱222.32 million, ₱188.55 million and ₱150.81 million for 2022, 2021 and 2020, respectively (see Note 15).

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

*The Company as lessee*

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



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

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

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

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

On July 07, 2022, the Company entered into a contract of lease with ALI for the lease of land commencing on October 1, 2022 for period of 36 years. The agreement pertains to land lease of Cebu properties namely, eBloc 1, eBloc 2, eBloc 3, eBloc 4, ACC Tower and Tech Tower. The lease generally provides for a monthly rent based on a certain percentage of gross receipt income.

The total cash outflow related to leases amounted to ₱311.26 million, ₱206.14 million and ₱143.35 million in 2022, 2021 and 2020, respectively. This is composed of interest payments amounting to ₱49.23 million, ₱37.18 million and ₱32.80 million in 2022, 2021 and 2020 for lease contracts where the Company recognized lease liability and variable lease payments amounting to ₱262.03 million, ₱168.96 million and ₱110.55 million in 2022, 2021 and 2020, respectively. No payment was attributed to principal of lease liability in 2022 and 2021.

The rollforward analysis of lease liability follows:

|                                | 2022                  | 2021           |
|--------------------------------|-----------------------|----------------|
| Balance at beginning the year  | <b>₱1,153,980,830</b> | ₱871,843,943   |
| Addition                       | -                     | 256,304,860    |
| Interest expense (Note 17)     | <b>81,832,181</b>     | 63,009,530     |
| Payment                        | <b>(49,232,653)</b>   | (37,177,503)   |
| Balance at the end of the year | <b>1,186,580,358</b>  | 1,153,980,830  |
| Current lease liability        | <b>50,290,868</b>     | 42,967,375     |
| Noncurrent lease liabilities   | <b>₱1,136,289,490</b> | ₱1,111,013,455 |

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

|  | 2022                | 2021         | 2020         |
|--|---------------------|--------------|--------------|
| Rent expense - variable lease payments (Note 17)                   | <b>₱262,034,140</b> | ₱168,962,930 | ₱110,552,423 |
| Accretion of interest expense (Note 17)                            | <b>81,832,181</b>   | 63,009,530   | 51,490,870   |
| Total amounts recognized in the statements of comprehensive income | <b>₱343,866,321</b> | ₱231,972,460 | ₱162,043,293 |

Right-of-use asset and lease liability recognized in 2021 pertains to new lease agreement for which lease payments are fixed. Prior to December 31, 2019, all lease contracts where the Company is a lessee have lease payment terms that is purely variable linked to future performance or use of the





underlying asset, therefore no right-of-use asset is recognized. The right-of-use asset is included as part of investment properties amounting to ₱1,030.42 million and ₱1,061.29 million as of December 31, 2022 and 2021, respectively.

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

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

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

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

## 19. Income Tax

Provision for (benefit from) income tax consists of:

|          | 2022            | 2021           | 2020                   |
|----------|-----------------|----------------|------------------------|
| Current  | ₱-              | ₱-             | ₱173,735,934           |
| Deferred | -               | -              | (3,454,687,621)        |
| Final    | <b>124,462</b>  | 48,466         | 72,841                 |
|          | <b>₱124,462</b> | <b>₱48,466</b> | <b>(3,280,878,846)</b> |

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

In 2021 and 2020 the Company availed of the optional standard deduction (OSD) and itemized deduction in 2022.

As of December 31, 2022 and 2021, deferred tax assets and liabilities are recognized based on the effective income tax rate of 0% under REIT law.

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

| Year Incurred | Amount                | Used/Expired | Balance               | Expiry Year |
|---------------|-----------------------|--------------|-----------------------|-------------|
| 2022          | ₱340,120,747          | ₱-           | ₱340,120,747          | 2025        |
| 2021          | 688,819,663           | -            | 688,819,663           | 2026        |
| 2020          | 481,283,017           | -            | 481,283,017           | 2025        |
|               | <b>₱1,510,223,427</b> | <b>₱-</b>    | <b>₱1,510,223,427</b> |             |



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

|  | <b>2022</b>   | 2021    | 2020      |
|--|---------------|---------|-----------|
| Statutory income tax rate                    | <b>25.00%</b> | 25.00%  | 30.00%    |
| Add (deduct) tax effect of:                  |               |         |           |
| Nondeductible expenses                       | <b>1.17</b>   | 18.59   | 0.32      |
| Nontaxable income                            | <b>(0.37)</b> | (0.93)  | (0.36)    |
| Deductible expenses due to option to use OSD | -             | (8.05)  | (9.47)    |
| Movement in deferred taxes                   | -             | -       | 3.26      |
| Unrecognized deferred taxes                  | -             | -       | (108.61)  |
| Deductible dividends                         | <b>(25.8)</b> | (34.60) | (25.09)   |
| <b>Effective income tax rate</b>             | <b>0%</b>     | 0%      | (109.95%) |

## 20. Related Party Transactions

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

### Terms and Conditions of Transactions with Related Parties

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

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

### Material related party transactions ("RPT")

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

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

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

| Category                                    | December 31, 2022 |                     |   |                             |
|---|-------------------|---------------------|---|-----------------------------|
|   | Volume            | Outstanding Balance | Terms   | Conditions                  |
| <b>Finance lease receivable</b>             |                   |                     |   |                             |
| Makati North Hotel Ventures, Inc. (i)       | P149,232,107      | P2,258,607,723      | Noninterest-bearing;<br>Payable quarterly                       | Unsecured;<br>No impairment |
| North Eastern Commercial Corp. (j)          | 73,089,719        | 962,538,282         |   |                             |
| <b>Due from related parties</b>             |                   |                     |   |                             |
| <b>Parent Company</b>                       |                   |                     |   |                             |
| Ayala Land, Inc. (a and b)                  | 207,180,633       | 122,963,190         | Interest-bearing and noninterest-bearing;<br>Due and demandable | Unsecured;<br>No impairment |
| <b>Affiliates</b>                           |                   |                     |   |                             |
| Cebu District Property Enterprise, Inc. (b) | -                 | 660,896             | Interest-bearing;<br>On demand                                  | Unsecured;<br>No impairment |
| Central Block Developers, Inc. (b)          | -                 | 3,700               | Interest-bearing;<br>On demand                                  | Unsecured;<br>No impairment |
| Arvo Commercial Corporation (b)             | 30,435,139        | 39,203,390          | Interest-bearing;<br>On demand                                  | Unsecured;<br>No impairment |

(Forward)



| December 31, 2022                               |             |                       |                                   |                             |
|---|-------------|-----------------------|-----------------------------------|-----------------------------|
| Category  | Volume      | Outstanding Balance   | Terms                             | Conditions                  |
| Arca South Commercial Ventures Corp. (b)        | P-          | P2,250,258            | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Crans Montana Property Holdings Corporation (b) | -           | 1,246,956             | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Capitol Central Commercial Ventures Corp. (b)   | 204,830,304 | 209,193,922           | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| ALI Makati Hotel Property, Inc. (b)             | -           | 1,004,074             | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Soltea Commercial Corp. (b)                     | 2,860,101   | 307,665               | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Laguna Technopark Inc. (b)                      | 48,850,961  | 49,259,439            | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Ayalaland Logistics Holdings Corp (b)           | -           | 5,687,206             | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| ALI Triangle Hotel Ventures, Inc. (b)           | 1,268,950   | 2,929,956             | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Cagayan De Oro Gateway Corporation (b)          | -           | 537,083               | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Cavite Commercial Towncenter Inc. (b)           | 39,430,400  | 40,088,362            | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| HLC Development Corporation (b and c)           | 14,305,731  | 18,073,745            | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Bay City Commercial Ventures Corp. (b)          | 11,537,176  | 342,605,821           | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| ALI Commercial Center, Inc. (b)                 | 17,859,806  | 28,938,564            | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Makati North Hotel Ventures, Inc. (i)           | 10,114,172  | 10,114,172            | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| Solinea Inc.                                    | 38,020,123  | 38,020,123            | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| Avida Land, Inc. (b)                            | 1,045,181   | 1,045,181             | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| AyalaLand Estates, Inc. (b)                     | 65,694,479  | 65,694,479            | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| North Triangle Hotel Ventures, Inc. (b)         | 1,678,317   | 1,678,317             | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| Sicogon Island Tourism Estate, Corp. (b)        | 21,679,818  | 21,679,818            | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| Ecozone Power Management, Inc. (b)              | 605,517     | 605,517               | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| LCI Commercial Ventures, Inc. (b)               | 38,167,921  | 38,167,921            | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| Direct Power Services, Inc. (b)                 | 6,351       | 6,351                 | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| Makati Cornerstone Leasing, Corp. (b)           | 4,921       | 4,921                 | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| Ten Knots Philippines, Inc. (b)                 | 1,163,932   | 1,163,932             | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| Globe Telecom, Inc.                             | 344,286     | 344,286               | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| North Eastern Commercial Corp. (j)              | 12,765,704  | 12,765,704            | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| Circuit Makati Hotel Ventures, Inc. (b)         | -           | 61,579                | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Airswift Transport, Inc. (b)                    | 16,579,024  | 19,043,664            | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Ayalaland Malls Synergies, Inc. (b)             | -           | 2,464,491             | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Amaia Land Corp. (b)                            | 81,017,219  | 3,102,340             | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Westview Commercial Ventures Corp. (b)          | 7,880,784   | 1,958,066             | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Ayala Property Management Corporation (b)       | 1,590,415   | 2,512,284             | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Econorth Resorts Ventures, Inc. (b)             | -           | 119,225               | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| BellaVita Land Corp. (b)                        | -           | 39,830                | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Cebu Holdings, Inc. (b)                         | -           | 38,382                | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Alveo Land Corp. (g)                            | 6,183,724   | 7,939,698             | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| Accendo Commercial Corp (b)                     | 37,541,582  | 575,250               | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| North Triangle Depot Commercial Corp (b)        | 1,217,959   | 1,218,944             | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Sunnyfield E-Office Corp. (b)                   | -           | 150                   | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
|   |             | <b>P4,316,464,857</b> |                                   |                             |



| December 31, 2022                      |              |                     |   |            |
|--|--------------|---------------------|---|------------|
| Category                               | Volume       | Outstanding Balance | Terms   | Conditions |
| <b>Due to related parties</b>          |              |                     |   |            |
| <b>Parent Company</b>                  |              |                     |   |            |
| Ayala Land Inc. (a)                    | ₱104,131,995 | ₱160,872,483        | Noninterest-bearing, due and demandable             | Unsecured  |
| <b>Affiliates*</b>                     |              |                     |   |            |
| AREIT Fund Managers, Inc. (l)          | 82,291,272   | 99,182,229          | Noninterest-bearing; On demand                      | Unsecured  |
| AREIT Property Managers, Inc. (m)      | 138,926,224  | 271,308,298         | Noninterest-bearing; On demand                      | Unsecured  |
| North Eastern Commercial Corp. (j)     | 64,048,695   | 64,048,695          | Noninterest-bearing; On demand                      | Unsecured  |
| Glensworth Development, Inc.           | 4,136,323    | 4,136,323           | Noninterest-bearing; On demand                      | Unsecured  |
| HLC Development Corporation            | 19,193,387   | 19,193,387          | Noninterest-bearing; On demand                      | Unsecured  |
| AyalaLand Offices, Inc. (h)            | -            | 4,165,217           | Noninterest-bearing; On demand                      | Unsecured  |
| Ayala Property Management, Corp. (f)   | 78,656,951   | 24,066,840          | Noninterest-bearing; On demand                      | Unsecured  |
| Direct Power Services, Inc. (d)        | 184,939,775  | 68,105,923          | Noninterest-bearing; On demand                      | Unsecured  |
| CECI Realty Corp. (o)                  | 91,227,749   | 25,359,077          | Noninterest-bearing; On demand                      | Unsecured  |
| Makati Development Corp. (e)           | -            | 2,019,459           | Noninterest-bearing; On demand                      | Unsecured  |
| Manila Water Company, Inc. (k)         | 8,498,380    | 8,498,380           | Noninterest-bearing; On demand                      | Unsecured  |
| Manila Water Philippine Ventures, Inc. | 3,729,107    | 3,729,107           | Noninterest-bearing; On demand                      | Unsecured  |
| Others**                               | 1,938,026    | 1,938,023           | Interest-bearing and noninterest-bearing; On demand | Unsecured  |
|  |              | <b>₱756,623,441</b> |   |            |

\*Entities under common control of ALI

\*\*Entities with outstanding balance below ₱2.00 million

| December 31, 2021                               |              |                     |  |                          |
|---|--------------|---------------------|--|--------------------------|
| Category  | Volume       | Outstanding Balance | Terms  | Conditions               |
| <b>Finance lease receivable</b>                 |              |                     |  |                          |
| Makati North Hotel Ventures, Inc. (i)           | ₱162,624,000 | ₱2,312,655,616      | Noninterest-bearing; Payable quarterly                       | Unsecured; No impairment |
| North Eastern Commercial Corp. (j)              | 973,164,806  | 973,164,806         | Noninterest-bearing; Payable quarterly                       | Unsecured; No impairment |
| <b>Due from related parties</b>                 |              |                     |  |                          |
| <b>Parent Company</b>                           |              |                     |  |                          |
| Ayala Land, Inc. (a and b)                      | 362,986,377  | 290,385,878         | Interest-bearing and noninterest-bearing; Due and demandable | Unsecured; No impairment |
| <b>Affiliates</b>                               |              |                     |  |                          |
| Cebu District Property Enterprise, Inc. (b)     | 45,097,500   | 45,097,500          | Interest-bearing; On demand                                  | Unsecured; No impairment |
| Central Block Developers, Inc. (b)              | 390,085,003  | 3,700               | Interest-bearing; On demand                                  | Unsecured; No impairment |
| Arvo Commercial Corporation (b)                 | 116,453,869  | 8,768,252           | Interest-bearing; On demand                                  | Unsecured; No impairment |
| Arca South Commercial Ventures Corp. (b)        | 116,678,221  | 2,250,258           | Interest-bearing; On demand                                  | Unsecured; No impairment |
| Crans Montana Property Holdings Corporation (b) | 67,002,587   | 1,246,956           | Interest-bearing; On demand                                  | Unsecured; No impairment |
| Capitol Central Commercial Ventures Corp. (b)   | 53,040,056   | 4,363,618           | Interest-bearing; On demand                                  | Unsecured; No impairment |
| ALI Makati Hotel Property, Inc. (b)             | 76,648,262   | 1,004,074           | Interest-bearing; On demand                                  | Unsecured; No impairment |
| Soltea Commercial Corp. (b)                     | 21,452,637   | 3,167,767           | Interest-bearing; On demand                                  | Unsecured; No impairment |
| Laguna Technopark Inc. (b)                      | 52,243,886   | 408,479             | Interest-bearing; On demand                                  | Unsecured; No impairment |
| Ayalaland Logistics Holdings Corp (b)           | 39,220,982   | 5,687,206           | Interest-bearing; On demand                                  | Unsecured; No impairment |
| ALI Triangle Hotel Ventures, Inc. (b)           | 1,661,006    | 1,661,006           | Interest-bearing; On demand                                  | Unsecured; No impairment |
| Cagayan De Oro Gateway Corporation (b)          | 25,841,449   | 537,083             | Interest-bearing; On demand                                  | Unsecured; No impairment |
| Cavite Commercial Towncenter Inc. (b)           | 24,950,003   | 657,962             | Interest-bearing; On demand                                  | Unsecured; No impairment |

(Forward)



| December 31, 2021                         |             |                       |                                   |                             |
|---|-------------|-----------------------|-----------------------------------|-----------------------------|
| Category                                  | Volume      | Outstanding Balance   | Terms                             | Conditions                  |
| HLC Development Corporation (b and c)     | ₱3,768,013  | ₱3,768,013            | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Bay City Commercial Ventures Corp. (b)    | 337,982,540 | 337,982,540           | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| ALI Commercial Center, Inc. (b)           | 11,078,757  | 11,078,757            | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Makati North Hotel Ventures, Inc. (i)     | 11,388,146  | 19,993,396            | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| North Eastern Commercial Corp. (j)        | 2,952,040   | 2,952,040             | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| Circuit Makati Hotel Ventures, Inc. (b)   | 4,291,375   | 61,579                | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Airswift Transport, Inc. (b)              | 35,622,688  | 35,622,688            | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Ayalaland Malls Synergies, Inc. (b)       | 1,945,589   | 2,464,492             | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Amaia Land Corp. (b)                      | 84,119,559  | 84,119,560            | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Westview Commercial Ventures Corp. (b)    | 9,838,850   | 9,838,850             | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Ayala Property Management Corporation (b) | 921,869     | 921,869               | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Econorth Resorts Ventures, Inc. (b)       | -           | 119,225               | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| BellaVita Land Corp. (b)                  | -           | 39,830                | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Cebu Holdings, Inc. (b)                   | -           | 38,382                | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Alveo Land Corp. (g)                      | 1,873,562   | 1,755,974             | Noninterest-bearing;<br>On demand | Unsecured;<br>No impairment |
| Accendo Commercial Corp (b)               | 38,116,832  | 38,116,832            | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| North Triangle Depot Commercial Corp (b)  | 985         | 985                   | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
| Sunnyfield E-Office Corp. (b)             | -           | 150                   | Interest-bearing;<br>On demand    | Unsecured;<br>No impairment |
|   |             | <b>₱4,199,935,323</b> |                                   |                             |

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

\*Entities under common control of ALI

\*\*Entities with outstanding balance below ₱2.00 million



The following describes the nature of the material transactions of the Company with related parties in 2022, 2021 and 2020:

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

The Company entered into contracts of lease with ALI to occupy parcels of land where the Solaris, Teleperformance Cebu, Bacolod Ayala Northpoint, Vertis Offices, Ebloc Towers 1 to 4, ACC Tower and Tech Tower buildings are located. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱156.09 million, ₱65.72 million and ₱39.04 million in 2022, 2021 and 2020, respectively (see Note 17).

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

Payable amounting to ₱26.35 million and ₱47.57 million as of December 31, 2022 and 2021, respectively, pertain to expenses paid by ALI on behalf of AREIT for The 30th and Vertis offices operations.

- (b) The Company provides interest-bearing loan to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 1.74% to 5.28%, 2.00% to 3.75% and 2.63% to 5.50% per annum in 2022, 2021 and 2020 respectively.

The Company recognized interest income amounting to ₱33.71 million, ₱6.97 million and ₱78.31 million in 2022, 2021 and 2020, respectively (see Note 16).

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

- (c) HLC, a subsidiary of Amorsedia Development, Corporation, leases a land to the Company. The Company recognized "Land lease" under "Direct operating expenses" in the statements of comprehensive income amounting to ₱75.62 million, ₱74.02 million and ₱71.51 million in 2022, 2021 and 2020 respectively (see Note 17).
- (d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred amounted to ₱390.40 million, ₱130.06 million and ₱42.54 million in 2022, 2021 and 2020, respectively of which the remaining payable amounted to ₱68.11 million and ₱6.01 million as of December 31, 2022 and 2021, respectively.
- (e) On December 19, 2006, the Company and Makati Development Corp. (the 'Contractor') signed a construction contract agreement for a specific project. The Company has an outstanding retention payable to the contractor amounting to ₱2.02 million as of December 31, 2022, 2021 and 2020.
- (f) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company prior to its listing in exchange for a fee equivalent to ₱12.00 per square meter of the total gross leasable area of units accepted by tenants subject to an annual escalation of 5% of the immediate succeeding year's rate. Provided, that if during the term, the occupancy rate of the building shall be 85% or above. If below 85%, the actual management fee for any given year shall be subject to approval of the BOD as part of the annual operating maintenance budget process. In the event no such approval is obtained, the management fee prevailing for the



immediately preceding year shall apply. The Company recognized management fees amounting to ₱32.66 million, ₱28.18 million and ₱12.60 million in 2022, 2021 and 2020, respectively (see Note 17).

- (g) Alveo Land Corp., a subsidiary of ALI, is a lessee of the Company. The Company recognized “Rental Income” in the statements of comprehensive income amounting to ₱5.05 million, ₱4.62 million and ₱4.66 million in 2022, 2021 and 2020, respectively, of which the remaining receivable amounted ₱7.94 million, ₱1.76 million and ₱0.03 million as of December 31, 2022, 2021 and 2020, respectively.
- (h) The Company’s intercompany payable to ALOI pertains to outstanding balance of accounting shared services billed on behalf of the Company amounting to ₱4.17 million and ₱4.16 million in 2021 and 2020 respectively.
- (i) This pertains to the receivable arising from lease agreement with MNHVI (see Note 18). The Company’s outstanding balance related to finance lease amounted to ₱2,258.61 million and ₱2,312.66 million as December 31, 2022 and 2021, respectively. This includes interest income accretion amounting to ₱149.23 million, ₱151.39 million and ₱150.81 million in 2022, 2021 and 2020, respectively (see Notes 15 and 18).

The Company also recognized receivable amounting to ₱10.11 million pertaining to payment for land lease on behalf of MNHVI.

- (j) This pertains to the receivable arising from lease agreement with NECC (see Note 18). The Company outstanding balance related to finance lease amounted to ₱962.54 million and ₱973.16 million as of December 31, 2022 and 2021, respectively. This includes interest income accretion amounting to ₱73.09 million for the year ended December 31, 2022 ₱37.16 million in 2021 and nil in 2020; (see Notes 15 and 18).

NECC, is a lessee of the Company for a space in The 30th Corporate Center. The Company recognized “Rental Income” in the statements of comprehensive income amounting to ₱2.11 million in 2022, ₱7.73 million in 2021 and nil in 2020.

Payable amounting to ₱64.05 million as of December 31, 2022 and ₱56.54 million as of December 31, 2021 pertain to expenses paid by NECC on behalf of AREIT for The 30th and Vertis offices operations.

- (k) The Company’s intercompany payable to Manila Water Company, Inc. pertains to outstanding balance of water consumption incurred by the Company amounting to ₱8.50 million, ₱2.05 million and ₱2.06 million in 2022, 2021 and 2020, respectively.

The Company recognized utility services in “Utilities” under “Dues” in the statements of comprehensive income amounting to ₱38.21 million, ₱26.58 million and ₱7.50 million in 2022, 2021 and 2020, respectively (see Note 15).

- (l) AREIT Fund Managers, Inc., a subsidiary of ALI, handles the fund manager functions of the Company starting August 13, 2020, in exchange for a fee computed based on 0.10% of deposited property value plus 3.5% of the earnings before interest, taxes, depreciation, and amortization (EBITDA) before deduction of fees payable to fund manager and property manager and after deducting interest expense on lease liabilities for the period, exclusive of VAT. The Company recognized management fees amounting to ₱198.52 million and ₱135.33 million in 2022 and 2021 (₱37.37 million in 2020, see Notes 17).
- (m) AREIT Property Managers, Inc., a subsidiary of ALI, handles the property management functions of the Company starting August 13, 2020 in exchange for a fee equivalent to 3% of gross rental income and interest income from finance lease per year plus 2% of EBITDA before deduction of fees payable to fund manager and property manager and after deducting interest expense from



lease liabilities for the period, provided that such fee shall not exceed 1% of the net asset value of the properties being managed. The Company recognized management fees amounting to ₱166.90 million and ₱103.78 million in 2022 and 2021, respectively (₱34.54 million in 2020, see Note 17).

- (n) The Company's payable to ALO Prime Realty Corp. (APRC), a subsidiary of ALI, amounting to ₱3.57 million pertains to over remittance of security deposits from TP Cebu tenants as of December 31, 2021.
- (o) The Company's payable to Ceci Realty Corp. (CECI), a subsidiary of ALI, amounting to ₱25.36 million and ₱9.94 million as of December 31, 2022 and 2021. This pertains to electricity of Evotech building.
- (p) The Company's payable to Westview Commercial Ventures Corp. (WVCV), a subsidiary of ALI, amounting to ₱4.73 million pertains to various expenses paid by WVCV in behalf of the Company for Bacolod Ayala Northpoint and Bacolod Capitol building operations as of December 31, 2021.

In 2022 and 2021, the Company acquired certain investment properties from various related parties to increase its portfolio of rentable assets (see Note 7).

Cash in bank

The Company has entered into transactions with Bank of the Philippine Islands, an associate of AC, consisting of cash in bank amounting to ₱45.46 million, ₱52.61 million and ₱22.21 million in 2022, 2021 and 2020, respectively (see Note 4). Interest income earned from these deposits amounted to ₱135,036, ₱105,180 and ₱105,903 in 2022, 2021 and 2020, respectively (see Note 17).

Compensation of Key Management Personnel

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

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## 21. Financial Assets and Liabilities

Fair Value Information

Except for the Company's noncurrent portion of finance lease receivable, security deposits, long-term debt and lease liabilities net of current portion, 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.

|                          | 2022                  |                       | 2021           |                |
|--------------------------|-----------------------|-----------------------|----------------|----------------|
|                          | Carrying value        | Fair value            | Carrying value | Fair value     |
| Noncurrent portion of:   |                       |                       |                |                |
| Finance lease receivable | <b>₱2,986,455,069</b> | <b>₱2,981,530,484</b> | ₱3,063,077,918 | ₱3,319,059,595 |
| Lease liabilities        | <b>1,136,289,490</b>  | <b>1,106,028,172</b>  | 1,111,013,455  | 1,040,202,810  |
| Security deposits        | <b>1,044,320,392</b>  | <b>958,142,795</b>    | 942,749,081    | 864,953,175    |
| Long-term debt           | -                     | -                     | 2,957,472,367  | 2,844,051,163  |

Fair Value Hierarchy

As of December 31, 2022 and 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 noncurrent portion of finance lease receivable, security deposits, long-term debt and lease liability - net of current portion is categorized under Level 3 in the fair value hierarchy.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2022 and 2021 are shown below:

|                          | <b>Valuation technique</b> | <b>Significant unobservable inputs</b> | <b>Range</b>                           | <b>Sensitivity of the input to fair value</b>                                |
|--------------------------|----------------------------|--|--|--|
| Investment properties    | DCF Method                 | Discount rate                          | 2022: 9.76%<br>2021: 8.38%             | Increase (decrease) in the discount would decrease (increase) the fair value |
| Finance lease receivable | DCF Method                 | Discount rate                          | 2022: 8.41%-8.66%<br>2021: 7.08%-7.44% | Increase (decrease) in the discount would decrease (increase) the fair value |
| Security deposits        | DCF Method                 | Discount rate                          | 2022: 1.18-4.63%<br>2021: 1.10%-4.69%  | Increase (decrease) in the discount would decrease (increase) the fair value |
| Long-term debt           | DCF Method                 | Discount rate                          | 2021: 2.67%                            | Increase (decrease) in the discount would decrease (increase) the fair value |
| Lease liabilities        | DCF Method                 | Discount rate                          | 2022: 8.20%-9.24%<br>2021: 6.75%-8.31% | Increase (decrease) in the discount would decrease (increase) the fair value |

#### Financial Risk Management Objectives and Policies

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

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

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

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

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

#### *Credit risk*

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

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



An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. The security deposits are considered in the calculation of impairment as recoveries. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. ECL related to trade receivables is minimal given its low credit risk and are generally covered by security deposits. The resulting ECL of ₱60.40 million, ₱37.46 million and ₱14.92 million as of December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022 and 2021, the ECL relating to cash in banks is minimal as these are considered as low credit risk.

The Company has applied the simplified approach and has calculated ECLs based on lifetime ECL for finance lease receivable. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As of December 31, 2022 and 2021, ECL related to the Company's finance lease receivable is minimal given that the receivable is fully covered by the value of the underlying asset (as title to the asset is not transferred to the lessee) in the event of default by the counterparty and the counterparty is of good credit standing.

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

The Company's maximum exposure to credit risk as of December 31, 2022 and 2021 is equal to the carrying values of its financial assets, except for "Trade receivables" under "Receivables" in the statements of financial position. Details follow:

|                          | 2022                      |  |                       | Financial effect<br>of collateral<br>or credit<br>enhancement |
|--------------------------|---------------------------|--|-----------------------|---|
|                          | Gross maximum<br>exposure | Fair value of<br>collateral or credit<br>enhancement | Net exposure          |   |
| Cash in banks            | ₱62,680,882               | ₱-   | ₱62,680,882           | ₱-  |
| Receivables              |                           |  |                       |   |
| Finance lease receivable | 3,221,146,005             | 3,221,146,005  | -                     | 3,221,146,005   |
| Due from related parties | 1,095,318,852             | -  | 1,095,318,852         | -   |
| Trade receivables        | 647,588,205               | 801,626,359  | -                     | 647,588,205   |
| Other receivables        | 1,990,659                 | -  | 1,990,659             | -   |
| Recoverable deposits     | 14,764,815                | -  | 14,764,815            | -   |
|                          | <b>₱5,043,489,418</b>     | <b>₱4,022,772,364</b>                                | <b>₱1,174,755,208</b> | <b>₱3,868,734,210</b>   |

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



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

**December 31, 2022**

|                            | Neither<br>Past Due<br>nor Impaired | Past due but not impaired |                    |                    |                     | Impaired              | Total |
|----------------------------|-------------------------------------|---------------------------|--------------------|--------------------|---------------------|-----------------------|-------|
|                            |                                     | <30 days                  | 31-60 days         | 61-90 days         | >90 Days            |                       |       |
| Finance lease receivable   | ₱3,221,146,005                      | ₱-                        | ₱-                 | ₱-                 | ₱-                  | ₱3,221,146,005        |       |
| Due from related parties   | 860,700,000                         | 67,966,991                | 46,933,538         | 7,847,173          | 111,871,150         | 1,095,318,852         |       |
| Trade receivables – billed | 40,670,843                          | 447,376,687               | 443,356            | 80,426,135         | 18,266,283          | 60,404,901            |       |
| <b>Total</b>               | <b>₱4,122,516,848</b>               | <b>₱515,343,678</b>       | <b>₱47,376,894</b> | <b>₱88,273,308</b> | <b>₱130,137,433</b> | <b>₱4,964,053,062</b> |       |

**December 31, 2021**

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

**Liquidity risk**

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

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

The Company's cash is maintained at a level that will enable it to fund its operations as well as to have additional funds as buffer for any opportunities or emergencies that may arise. To manage the Company's liquidity, credit line facilities with designated local banks, as approved by the Board of Directors, were obtained. The Company's available credit line with various local banks as of December 31, 2022 is ₱19.00 billion. The Company may also refinance its short-term and long-term loans and manage its payment terms for its payables.

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

|                                    | 2022                  |                     |                       | Total                 |
|------------------------------------|-----------------------|---------------------|-----------------------|-----------------------|
|                                    | < 1 year              | 1 to 5 years        | > 5 years             |                       |
| <b>Financial assets</b>            |                       |                     |                       |                       |
| Cash in banks                      | ₱62,680,882           | ₱-                  | ₱-                    | ₱62,680,882           |
| <b>Receivables</b>                 |                       |                     |                       |                       |
| Finance lease receivable           | 234,690,936           | 946,965,562         | 7,465,937,702         | 8,647,594,200         |
| Due from related parties           | 1,095,318,852         | -                   | -                     | 1,095,318,852         |
| Trade receivables*                 | 587,183,304           | -                   | -                     | 587,183,304           |
| Recoverable deposits               | 14,764,815            | -                   | -                     | 14,764,815            |
|                                    | <b>1,994,638,789</b>  | <b>946,965,562</b>  | <b>7,465,937,702</b>  | <b>10,407,542,053</b> |
| <b>Financial liabilities</b>       |                       |                     |                       |                       |
| <b>Accounts and other payables</b> |                       |                     |                       |                       |
| Due to related parties             | ₱756,623,441          | ₱-                  | ₱-                    | ₱756,623,441          |
| Accounts payable                   | 89,098,143            | -                   | -                     | 89,098,143            |
| Accrued expenses                   | 124,503,414           | -                   | -                     | 124,503,414           |
| Retention payable                  | 3,188,012             | -                   | -                     | 3,188,012             |
| Interest payable**                 | 898,625               | -                   | -                     | 898,625               |
| Short-term debt                    | 3,300,000,000         | -                   | -                     | 3,300,000,000         |
| Security deposits                  | 483,952,432           | 447,962,937         | 112,405,023           | 1,044,320,392         |
| Lease liability                    | 50,290,868            | 174,272,079         | 4,181,960,759         | 4,406,523,706         |
| Construction bonds                 | 98,584,276            | -                   | -                     | 98,584,276            |
|                                    | <b>₱4,907,139,211</b> | <b>₱622,235,016</b> | <b>₱4,294,365,782</b> | <b>₱9,823,740,009</b> |

\*net of allowance for expected credit losses

\*\*includes future interest payments



|                              | 2021                  |                       |                       | Total                  |
|------------------------------|-----------------------|-----------------------|-----------------------|------------------------|
|                              | < 1 year              | 1 to 5 years          | > 5 years             |                        |
| <b>Financial assets</b>      |                       |                       |                       |                        |
| Cash in banks                | ₱91,968,244           | ₱-                    | ₱-                    | ₱91,968,244            |
| Receivables                  |                       |                       |                       |                        |
| Finance lease receivable     | 236,172,830           | 943,485,358           | 8,465,334,764         | 9,644,992,952          |
| Due from related parties     | 2,242,581,055         | -                     | -                     | 2,242,581,055          |
| Trade receivables*           | 183,224,210           | -                     | -                     | 183,224,210            |
| Recoverable deposits         | 12,496,621            | -                     | -                     | 12,496,621             |
|                              | <b>₱2,766,442,960</b> | <b>₱943,485,358</b>   | <b>₱8,465,334,764</b> | <b>₱12,175,263,082</b> |
| <b>Financial liabilities</b> |                       |                       |                       |                        |
| Accounts and other payables  |                       |                       |                       |                        |
| Due to related parties       | ₱299,429,900          | ₱-                    | ₱-                    | ₱299,429,900           |
| Accounts payable             | 99,045,078            | -                     | -                     | 99,045,078             |
| Accrued expenses             | 67,422,855            | -                     | -                     | 67,422,855             |
| Retention payable            | 2,041,577             | -                     | -                     | 2,041,577              |
| Interest payable**           | 2,207,375             | -                     | -                     | 2,207,375              |
| Short-term debt              | 890,000,000           | -                     | -                     | 890,000,000            |
| Security deposits            | 436,882,890           | 404,393,757           | 101,472,434           | 942,749,081            |
| Lease liability              | 49,853,415            | 221,433,216           | 4,135,237,075         | 4,406,523,706          |
| Construction bonds           | 58,579,640            | -                     | -                     | 58,579,640             |
| Long-term debt               | -                     | 3,000,000,000         | -                     | 3,000,000,000          |
|                              | <b>₱1,905,462,730</b> | <b>₱3,625,826,973</b> | <b>₱4,236,709,509</b> | <b>₱9,767,999,212</b>  |

\*net of allowance for expected credit losses

\*\*includes future interest payments

## 22. Earnings Per Share

The Company's earnings per share for the years ended December 31, 2022, 2021 and 2020 were computed as follows:

|  | 2022                  | 2021           | 2020           |
|--|-----------------------|----------------|----------------|
| Net income                               | <b>₱2,887,563,036</b> | ₱2,433,267,040 | ₱6,264,814,788 |
| Weighted average number of common shares | <b>1,510,292,379</b>  | 1,479,405,605  | 996,151,230    |
| Basic/Diluted earnings per share         | <b>₱1.91</b>          | ₱1.64          | ₱6.29          |

The Company also assessed that there were no potential dilutive common shares in 2022, 2021 and 2020.

## 23. Segment Reporting

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

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

There were revenue transactions with two external customers which accounted for 10% or more of the total revenue amounting to ₱395.04 million and ₱263.52 million for the year ended December 31, 2022, ₱376.67 million and ₱253.04 million for the year ended December 31, 2021, and ₱376.59 million and ₱255.97 million for the year ended December 31, 2020.

### Distributable Income under the IRR of REIT Act of 2009

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



The computation of distributable income as presented to the Management of the Company as at December 31, 2022, 2021 and 2020 is shown below:

|  | 2022                  | 2021                  | 2020                  |
|--|-----------------------|-----------------------|-----------------------|
| Net income   | ₱2,887,563,036        | ₱2,433,267,040        | ₱6,264,814,788        |
| Unrealized gains:  |                       |                       | (1,424,645,596)       |
| Unrealized (gain)/loss on fair value change in investment properties | 548,953,984           | (164,502,279)         | -                     |
| Gain on finance lease  | -                     | (49,763,675)          | -                     |
| Impact on DTL of fair value accounting                               | -                     | -                     | (3,387,455,299)       |
| Impact on DTL of listing as a REIT entity                            | -                     | -                     | (3,293,073)           |
| <b>Distributable Income</b>  | <b>₱3,436,517,020</b> | <b>₱2,219,001,086</b> | <b>₱1,449,420,820</b> |

#### 24. Notes to Statements of Cash Flow

Disclosed below is the rollforward of liabilities under financing activities:

|  | January 1,<br>2022    | Cash flows              | Non-cash<br>changes   | December 31,<br>2022  |
|--|-----------------------|-------------------------|-----------------------|-----------------------|
| Dividends  | ₱-                    | (₱2,912,197,864)        | ₱2,912,197,864        | ₱-                    |
| Short-term debt                                    | 890,000,000           | (590,000,000)           | 2,977,693,930         | 3,277,693,930         |
| Share issuance cost                                | -                     | (47,954,832)            | 47,954,832            | -                     |
| Lease liabilities                                  | 1,153,980,830         | (49,232,653)            | 81,832,181            | 1,186,580,358         |
| Long-term debt                                     | 2,957,472,367         | -                       | (2,957,472,367)       | -                     |
| Interest payable                                   | 905,750               | 100,249,019             | (100,256,144)         | 898,625               |
| <b>Total liabilities from financing activities</b> | <b>₱5,002,358,947</b> | <b>(₱3,499,136,330)</b> | <b>₱2,961,950,296</b> | <b>₱4,465,172,913</b> |

|  | January 1,<br>2021  | Cash flows            | Non-cash<br>changes   | December 31,<br>2021  |
|--|---------------------|-----------------------|-----------------------|-----------------------|
| Dividends  | ₱-                  | (₱1,733,359,375)      | ₱1,733,359,375        | ₱-                    |
| Short-term debt                                    | -                   | 890,000,000           | -                     | 890,000,000           |
| Share issuance cost                                | -                   | (35,877,520)          | 35,877,520            | -                     |
| Lease liabilities                                  | 871,843,943         | (37,177,503)          | 319,314,390           | 1,153,980,830         |
| Long-term debt                                     | -                   | 2,957,472,367         | -                     | 2,957,472,367         |
| Interest payable                                   | -                   | 81,942,431            | (81,036,681)          | 905,750               |
| <b>Total liabilities from financing activities</b> | <b>₱871,843,943</b> | <b>₱2,123,000,400</b> | <b>₱2,007,514,604</b> | <b>₱5,002,358,947</b> |

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

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

##### Operating

- Interest expense arising from accretion of security deposit amounting to ₱26.29 million, ₱24.87 million and ₱13.93 million in 2022, 2021 and 2020 respectively (see Notes 12 and 17).
- Noncash movement in "Receivables" and "Investment properties" arising from lease agreement with NECC amounting to ₱936.00 million and ₱886.24 million, respectively in 2021; (nil in 2022 and 2020; see Notes 7, 18, 20).



Investing

- Recognition of right-of-use asset recorded under investment properties and lease liability in 2021 amounting to ₱256.30 million for land lease agreements assigned to the Company under the property-for-share swap agreement for Bacolod Capitol Corporate Center and Evotech One and Two.
- Addition in investment properties amounting to ₱11,257.89 million and ₱15,415.81 million related to the property-for-share swap agreement in 2022 and 2021 (See Note 7)
- Increase in fair value of investment properties net of lease commissions amounting to a decrease of ₱544.18 million, increase of ₱200.14 million and increase of ₱1,472.09 million in 2022, 2021 and 2020, respectively (See Note 7).

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**25. Events After the End of the Reporting Period**

On February 24, 2023, the Board of Directors of the Company as its regular meeting, approved the declaration of cash dividends of ₱0.52 per outstanding common share for the fourth quarter of 2022. The cash dividends amounting to ₱915.74 million will be payable on March 24, 2023, to stockholders on record as of March 10, 2023.

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**26. Report on the Supplementary Information Required Under RR 15-2010**

Value added tax (VAT)

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

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

In compliance with the requirements set forth by Revenue Regulations 15-2010 hereunder are the information on taxes and licenses fees paid or accrued during the taxable year 2022.

Receipts and output VAT declared in the Company's VAT returns in 2022

|                  |                |              |
|------------------|----------------|--------------|
|                  | Net Receipts   | Output VAT   |
| Taxable receipts | ₱2,078,801,985 | ₱249,456,238 |

The Company, in its 2022 VAT declarations, has reported Net Receipts of ₱2,078.80 million and output VAT of ₱249.46 million. These amounts arise from the Company's interest income on intercompany loans.

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

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

The Company, in its 2022 VAT declarations, has reported Net Receipts of ₱958,206,170 and output VAT of ₱114,984,740. These amounts arise from the Company's interest income on intercompany loans.



Details of Input VAT follow:

|   |                      |
|---|----------------------|
| Balance at January 1, 2022  | ₱959,608,313         |
| Capital Goods not subject for Amortization                                      | 268,840              |
| Input tax on depreciable capital good not attributable to any specific activity | 61,126,136           |
| Domestic purchases/payments for:  |                      |
| Domestic purchases of services  | 125,116,252          |
| Purchase of goods other than capital goods                                      | 2,549,958            |
| <u>Total Input VAT</u>  | <u>1,148,669,499</u> |
| <u>Less applied against output VAT</u>  | <u>249,456,238</u>   |
| <u>Balance at December 31, 2022</u>   | <u>₱899,213,261</u>  |

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included in "Taxes and licenses" under "Direct operating expenses" and "General and Administrative expenses" in the statements of comprehensive income. Details of other taxes and licenses in 2022 follow:

|                         |                     |
|-------------------------|---------------------|
| <u>Local</u>            |                     |
| Real property tax       | ₱275,413,208        |
| Business permit         | 82,853,052          |
| Community tax           | 10,500              |
| Others                  | 7,281,713           |
|                         | <u>365,558,473</u>  |
| <u>National</u>         |                     |
| Fire permit             | 753,836             |
| BIR annual registration | 500                 |
| Others                  | -                   |
|                         | <u>754,336</u>      |
|                         | <u>₱366,312,809</u> |

Withholding Taxes

The Company's expanded withholding taxes for the year amounted to ₱47,623,653. Out of which, ₱24,082,049 remain outstanding as part of "Taxes payable" under "Accounts and other payables" as of December 31, 2022.

Taxes on Importation

The Company has not made any importations in 2022.

Excise Tax

The Company has no transaction subject to excise tax in 2022.

Documentary Stamp Tax

The Company paid documentary stamp tax amounting to ₱3,329,771 for the year ended December 31, 2022 pertaining to lease contracts of various tenants.

Tax Contingencies

The Company did not receive any Letter of Assessment, Preliminary Assessment Notice and Final Tax Assessment before or during 2022, nor it has tax cases under preliminary investigations, litigation, and/or prosecution in courts or bodies outside the administration of the Bureau of Internal Revenue.



**AREIT, INC.**

**INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES  
DECEMBER 31, 2022**

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Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration

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

Annex C: Supplementary Schedules Required by Annex 68-J

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



**AREIT, INC.****Reconciliation of Retained Earnings Available for Dividend Declaration  
DECEMBER 31, 2022**

|   |                 |                       |
|---|-----------------|-----------------------|
| Unappropriated Retained Earnings, beginning   |                 | ₱22,465,407,195       |
| Less: Cumulative Fair Value Adjustment of Investment  |                 |                       |
| Properties from its Original Cost   | 20,469,371,278  |                       |
| Accumulated depreciation  | (2,239,502,031) | 18,229,869,247        |
| Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning |                 | 4,235,537,948         |
| <b>Add: Net income actually earned/realized during the period</b>                               |                 |                       |
| Net income during the period closed to Retained Earnings  |                 | 2,887,563,036         |
| Add: Non-actual losses net of tax   |                 |                       |
| Loss on fair value adjustment of investment properties  |                 | 548,953,984           |
| <b>Net income Actual/Realized</b>   |                 | 3,436,517,020         |
| Dividend declarations during the year   |                 | (2,912,197,864)       |
| <b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>                          |                 | <b>₱4,759,857,104</b> |



SyCip Gorres Velayo & Co.  
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1226 Makati City  
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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A and have issued our report thereon dated February 24, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Maria Antoniette L. Aldea*

Maria Antoniette L. Aldea  
Partner

CPA Certificate No. 116330

Tax Identification No. 242-586-416

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

SEC Partner Accreditation No. 116330-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

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

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

BIR Accreditation No. 08-001998-147-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564643, January 3, 2023, Makati City

February 24, 2023





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## INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the Company) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 and have issued our report thereon dated February 24, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

*Maria Antoniette L. Aldea*

Maria Antoniette L. Aldea  
Partner

CPA Certificate No. 116330

Tax Identification No. 242-586-416

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

SEC Partner Accreditation No. 116330-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions

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

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

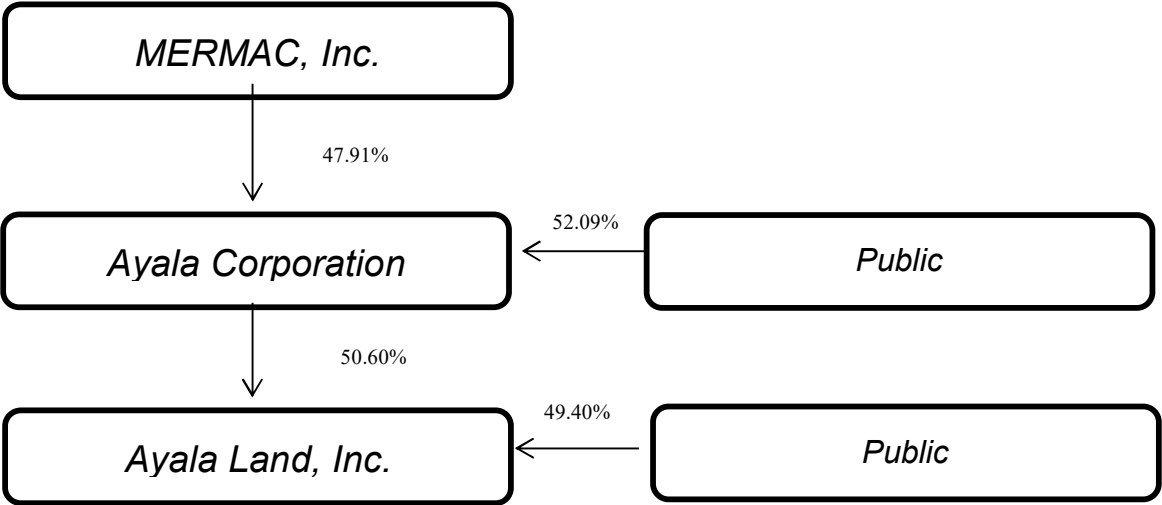
BIR Accreditation No. 08-001998-147-2022, November 7, 2022, valid until November 6, 2025

PTR No. 9564643, January 3, 2023, Makati City

February 24, 2023



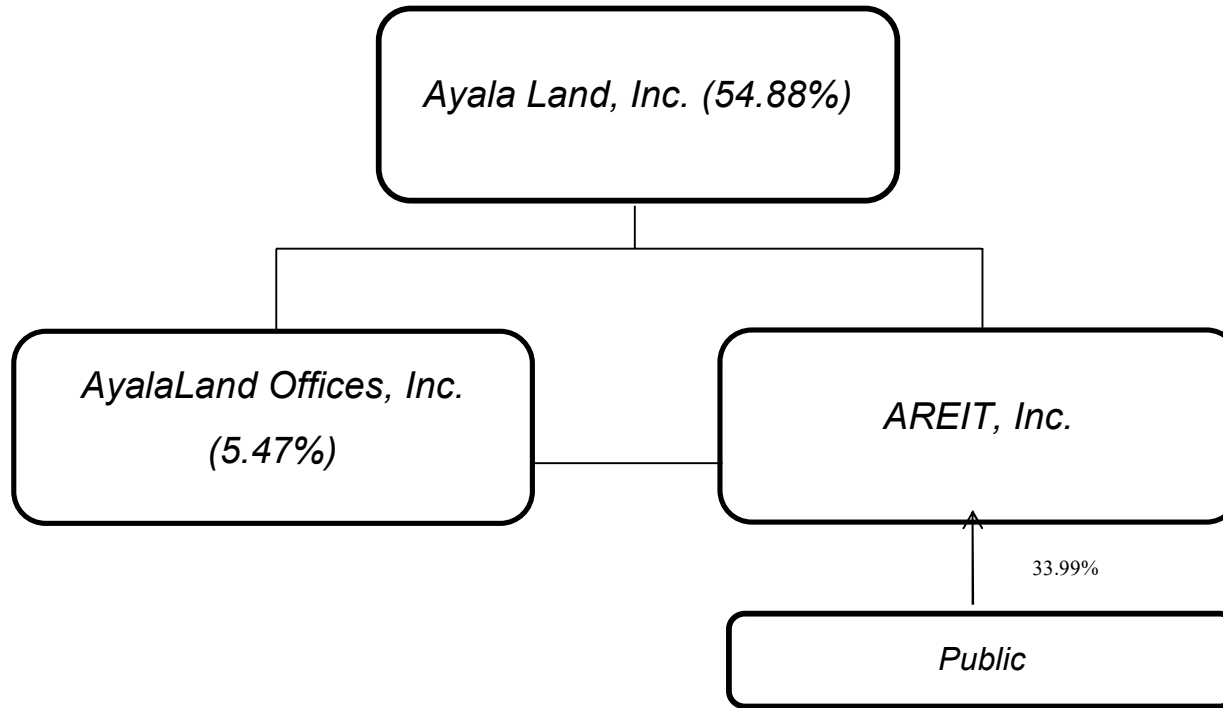
**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES  
DECEMBER 31, 2022**



**AREIT, INC.**

**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES  
DECEMBER 31, 2022**

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AYALA LAND, INC.

*Cagayan de Oro Gateway Corp. (70%)*

*Adauge Commercial Corporation (60%)*

*Alabang Commercial Corporation (50%)*

*Ayala Property Management Corp. (100%)*

*Soltea Commercial Corp. (60%)*

*Southgateway Development Corp. (100%)*

*Makati Development Corporation (100%)*

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

*CMPI Holdings, Inc. (60%)*

*Ayalaland MetroNorth, Inc. (100%)*

*Ayala Hotels, Inc. (50%)*

*DirectPower Services, Inc. (100%)*

*ALI-CII Development Corporation (50%)*

*North Triangle Depot Commercial Corp. (73%)*

*AyalaLand Hotels and Resorts Corp. (100%)*

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

*Roxas Land Corporation (50%)*

*BGWest Properties, Inc. (50%)*

*Lagdigan Land Corp. (60%)*

*Five Star Cinema, Inc. (100%)*

*Ten Knots Phils, Inc. (60%)*

*Ten Knots Development, Corp. (60%)*

*Southportal Properties Inc. (65%)*

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

*ALInet.com, Inc. (100%)*

*First Longfield Investments Limited (100%)*

*Aprisa Business Process Solutions, Inc. (100%)*

*AyalaLand Club Management, Inc. (100%)*

*Varejo Corp. (100%)*

*Ayala Land Malls, Inc. (100%)*

*Verde Golf Development Corporation (100%)*

*Whiteknight Holdings, Inc. (100%)*

*ALI Commercial Center Inc. (100%)*

*Cebu Holdings Inc. (71%)*

*AREIT, Inc. (54.88%)*

AYALA LAND, INC.

Alveo Land Corporation (100%)

Crimson Field Enterprises, Inc. (100%)

Primavera Towncentre, Inc. (100%)

Cavite Commercial Town Center, Inc. (100%)

Serendra, Inc. (28%)

Ecoholdings Company, Inc. (100%)

Summerhill E-Office Corporation (100%)

AyalaLand offices, Inc. (100%)

Amorsedia Development Corporation (100%)

NorthBeacon Commercial Corporation (100%)

Sunnyfield E-Office Corporation (100%)

Laguna Technopark, Inc. (68%)

Avida Land Corporation (100%)

Red Creek Properties, Inc. (100%)

Subic Bay Town Centre, Inc. (100%)

Aurora Properties Incorporated (81%)

Amaia Land Co. (100%)

Regent Time International, Limited (100%)

Regent Wise Investments Limited (100%)

Vesta Property Holdings, Inc. (78%)

Ayala Land International Sales, Inc. (100%)

Asterion Technopod, Incorporated (100%)

AREIT Fund Managers, Inc. (100%)

Station Square East Commercial Corporation (69%)

Ayala Land Sales, Inc. (100%)

Westview Commercial Ventures Corp. (100%)

Arvo Commercial Corporation (100%)

Ceci Realty, Inc. (60%)

Buendia Landholdings, Inc. (100%)

North Ventures Commercial Corp. (100%)

BellaVita Land Corporation (100%)

Accendo Commercial Corp. (67%)

Crans Montana Holdings, Inc. (100%)

Hillsford Property Corporation (100%)

Nuevo Centro, Inc. (54%)

Aviana Development Corporation (50%)

AREIT, Inc. (54.88%)

AREIT Property Managers, Inc. (100%)

**AREIT, INC.****SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS  
DECEMBER 31, 2022**

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in the balance sheet | Income received or accrued |
|--|---|-----------------------------------|----------------------------|
| <b>Cash</b>  |   |                                   |                            |
| Cash in banks  |   |                                   |                            |
| Deutsch Bank   | ₱17,218,929   | ₱17,218,929                       | ₱483,505                   |
| Bank of Philippine Islands                           | 45,461,953  | 45,461,953                        | 135,036                    |
|  | 62,680,882  | 62,680,882                        | 618,541                    |
| <b>Receivables</b>                                   |   |                                   |                            |
| Related parties                                      | 4,316,464,857   | 4,316,464,857                     | 33,710,130                 |
| Third parties, net of allowance                      | 587,183,304   | 587,183,304                       | -                          |
| Others   | 1,990,659   | 1,990,659                         | -                          |
|  | 4,905,638,820   | 4,905,638,820                     | 33,710,130                 |
|  | <b>₱4,968,319,702</b>                                   | <b>₱4,968,319,702</b>             | <b>₱34,328,671</b>         |



**AREIT, INC.****SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS,  
OFFICERS, EMPLOYEES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN  
RELATED PARTIES)  
DECEMBER 31, 2022**

| Name and designation of debtor | Balance at<br>beginning<br>of year | Additions | Amounts<br>collected | Current | Noncurrent | Balance at<br>the end of<br>the year |
|--------------------------------|------------------------------------|-----------|----------------------|---------|------------|--------------------------------------|
| N/A                            | N/A                                | N/A       | N/A                  | N/A     | N/A        | N/A                                  |

**AREIT, INC.**

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**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

AREIT, INC.

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**SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT**  
**DECEMBER 31, 2022**

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

**AREIT, INC.**

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**SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES  
(LONG-TERM LOANS FROM RELATED COMPANIES)  
DECEMBER 31, 2022**

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

**AREIT, INC.****SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS  
DECEMBER 31, 2022**

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

**SCHEDULE G****AREIT, INC.****SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK  
DECEMBER 31, 2022**

| <b>Capital Stock</b>  |                                    |   |  |   |  |               |
|-----------------------|------------------------------------|---|--|---|--|---------------|
| <b>Title of issue</b> | <b>Number of shares authorized</b> | <b>Number of shares issued and outstanding as shown under related balance sheet caption</b> | <b>Number of shares reserved for options warrants, conversion and other rights</b> | <b>Number of shares held by related parties</b> | <b>Directors, officers and employees</b> | <b>Others</b> |
| Common shares         | 2,950,000,000                      | 1,761,047,193   | -  | 1,062,263,667                                   | 12                                       | -             |

**AREIT, INC.****COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS  
DECEMBER 31, 2022**

| Ratio                         | Formula   | 2022         | 2021  | 2020  |
|-------------------------------|---|--------------|-------|-------|
| Current ratio                 | Current assets / Current liabilities  | <b>0.43</b>  | 0.67  | 3.55  |
| Acid test ratio               | Quick assets / Current liabilities (Quick assets includes cash and receivables – current portion)                                   | <b>0.39</b>  | 0.63  | 3.32  |
| Solvency ratio                | Net Income add Depreciation/ Total debt (Total debt includes short-term debt, long-term debt and current portion of long-term debt) | <b>0.88</b>  | 0.63  | 0.00  |
| Debt-to-equity ratio          | Total debt / Stockholders' equity   | <b>0.05</b>  | 0.08  | 0.00  |
| Asset-to-equity ratio         | Total assets / Stockholders' equity   | <b>1.13</b>  | 1.16  | 1.07  |
| Interest rate coverage ratio* | EBITDA / Interest expense   | <b>15.71</b> | 14.02 | 23.63 |
| Return on equity              | Net income / Average total stockholders' equity   | <b>5%</b>    | 5%    | 19%   |
| Return on assets              | Net income after tax / Average total assets   | <b>5%</b>    | 6%    | 21%   |
| Net profit margin             | Net income / Total revenue  | <b>0.57</b>  | 0.73  | 3.08  |

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