

SEC Number: CS200613870

File Number: \_\_\_\_\_

**AREIT, INC.**

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(Company's Full Name)

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

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(Company Address)

(632) 7908-3804

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(Telephone Number)

**March 31, 2021**

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(Quarter Ending)

**SEC Form 17-Q Quarterly Report**

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(Form Type)

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(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2021**
  2. Commission Identification Number **CS200613870**
  3. BIR Tax Identification No. **006-346-689-000**
  4. Exact name of issuer as specified in its charter: **AREIT, INC.**
  5. Province, Country or other jurisdiction of incorporation or organization:  
**Makati City, Philippines**
  6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
  7. Address of issuer's principal office and postal code:  
**28F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226**
  8. Issuer's telephone number, including area code: **(632) 7908-3804**
  9. Former name, former address, former fiscal year: **Not applicable**
  10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
- 

**As of March 31, 2021**

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

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

Yes  No

Stock Exchange: **Philippine Stock Exchange**

Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

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

Yes  No

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

Yes  No

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## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

#### AREIT, INC.

(Formerly One Dela Rosa Property Development, Inc.)

#### STATEMENTS OF FINANCIAL POSITION

	March 31, 2021 Unaudited	December 31, 2020 Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	P138,696,577	P58,977,547
Receivables (Note 5)	1,001,197,018	2,384,189,473
Other current assets (Note 6)	519,878,849	281,312,797
<b>Total Current Assets</b>	<b>1,659,772,444</b>	<b>2,724,479,817</b>
<b>Noncurrent Assets</b>		
Noncurrent portion of receivables (Note 5)	2,473,002,978	2,600,726,540
Investment properties	13,830,150,486	8,303,802,471
Property and equipment	10,045	12,053
Other noncurrent assets (Note 6)	1,561,475,696	1,001,662,147
<b>Total Noncurrent Assets</b>	<b>17,864,639,205</b>	<b>11,906,203,211</b>
	<b>P19,524,411,649</b>	<b>P14,630,683,028</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Short- term debt	P4,450,500,000	P-
Accounts and other payables (Note 7)	698,914,680	P513,927,478
Current portion of deposits and other liabilities (Note 9)	285,388,021	129,399,846
Income tax payable	54,444,350	54,444,350
Current portion of lease liability	31,257,975	34,300,129
<b>Total Current Liabilities</b>	<b>5,520,505,026</b>	<b>732,071,803</b>
<b>Noncurrent Liabilities</b>		
Deposits and other liabilities - net of current portion (Note 9)	808,142,145	722,693,405
Lease liability - net of current portion	854,603,091	837,543,814
<b>Total Noncurrent Liabilities</b>	<b>1,662,745,236</b>	<b>1,560,237,219</b>
<b>Total Liabilities</b>	<b>7,183,250,262</b>	<b>2,292,309,022</b>
<b>Equity (Note 10)</b>		
Paid-up capital	10,929,864,050	10,929,864,050
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	785,681,404	785,681,404
Retained earnings	1,298,915,633	1,296,128,252
<b>Total Equity</b>	<b>12,341,161,387</b>	<b>12,338,374,006</b>
	<b>P19,524,411,649</b>	<b>P14,630,683,028</b>

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

**INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

	<b>2021 Unaudited January 1 to March 31</b>	<b>2020 Audited January 1 to March 31</b>
<b>REVENUE</b>		
Rental income	541,194,120	355,991,861
Dues	101,192,844	53,344,079
Interest income from finance lease receivables	37,328,193	37,497,499
	<b>679,715,157</b>	<b>446,833,439</b>
<b>COSTS AND EXPENSES</b>		
Direct operating expenses	237,118,269	126,414,026
General and administrative expenses	11,403,552	7,751,291
	<b>248,521,821</b>	<b>134,165,317</b>
<b>OTHER INCOME (CHARGES) - Net</b>		
Interest income	2,585,077	14,618,537
Interest expense	(30,968,068)	(18,769,106)
Other income	-	3,565,005
	<b>(28,382,991)</b>	<b>(585,564)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>402,810,345</b>	<b>312,082,558</b>
<b>PROVISION FOR INCOME TAX</b>	<b>16,954</b>	<b>60,262,595</b>
<b>NET INCOME</b>	<b>402,793,391</b>	<b>251,819,963</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P402,793,391</b>	<b>P251,819,963</b>
<b>Basic/Diluted Earnings Per Share</b>	<b>P0.39</b>	<b>P0.26</b>

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

**INTERIM STATEMENTS OF CHANGES IN EQUITY**

	<b>Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>PAID-UP CAPITAL</b> (Note 10)		
<b>Common Shares</b> - ₱10 par value in 2021 and 2020		
Balance at beginning and end of period	<b>₱10,929,864,050</b>	₱10,451,224,050
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance at beginning and end of period	<b>785,681,404</b>	-
<b>TREASURY SHARES</b>		
Balance at beginning and end of period	<b>(673,299,700)</b>	(673,299,700)
<b>RETAINED EARNINGS</b> (Note 10)		
Balance at beginning of period	<b>1,296,128,252</b>	1,022,804,424
Cash dividends	<b>(400,006,010)</b>	-
Net income/Total comprehensive income	<b>402,793,391</b>	251,819,963
Balance at end of period	<b>1,298,915,633</b>	1,274,624,387
	<b>₱12,341,161,387</b>	₱11,052,548,737

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

**INTERIM STATEMENTS OF CASH FLOWS**

	<b>Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱402,810,345</b>	₱312,082,558
Adjustments for:		
Depreciation	<b>98,669,275</b>	51,457,432
Interest expense	<b>14,017,124</b>	18,769,106
Interest income from finance lease receivables	<b>(37,328,193)</b>	(37,497,499)
Interest income	<b>(84,768)</b>	(14,618,537)
Operating income before working capital changes	<b>478,083,783</b>	330,193,060
Changes in operating assets and liabilities:		
Decrease (Increase) in:		
Receivables	<b>(45,855,790)</b>	(72,294,538)
Other assets	<b>(798,379,600)</b>	(147,919,698)
Increase (decrease) in:		
Accounts and other payables	<b>184,987,202</b>	94,687,774
Deposits and other liabilities	<b>241,436,913</b>	17,889,218
Construction bonds	<b>-</b>	1,694,404
Cash generated from (used in) operations	<b>60,272,508</b>	224,250,220
Interest received	<b>84,768</b>	14,618,537
Income tax paid	<b>(16,955)</b>	(27,572)
Net cash flows provided by (used in) operating activities	<b>60,340,321</b>	238,841,185
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for additions to investment properties	<b>(5,625,015,282)</b>	(4,517,857)
Decrease (increase) in due from related parties (Note 11)	<b>1,593,900,000</b>	(169,300,000)
Net cash flows provided by (used in) investing activities	<b>(4,031,115,282)</b>	(173,817,857)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment of loan	<b>4,450,500,000</b>	-
Dividends paid	<b>(400,006,009)</b>	-
Net cash flows provided by (used in) financing activities	<b>4,050,493,991</b>	-
<b>NET INCREASE IN CASH</b>	<b>79,719,030</b>	65,023,328
<b>CASH AT BEGINNING OF PERIOD</b>	<b>58,977,547</b>	122,180,606
<b>CASH AT END OF PERIOD (Note 4)</b>	<b>₱138,696,577</b>	₱187,203,934

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

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**NOTES TO INTERIM FINANCIAL STATEMENTS**

**1. Corporate Information**

AREIT, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2006 with a corporate life of 50 years. 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.

The Company is publicly-listed company, 45.04%-owned by Ayala Land Inc. (ALI), 9.39%-owned by AyalaLand Offices, Inc. (ALOI), a wholly owned subsidiary of ALI and the rest by the public. ALI's parent is Ayala Corporation (AC). AC is 47.33%-owned by Mermac, Inc. and the rest by the public. Both ALI and AC are publicly listed companies domiciled and incorporated in the Philippines.

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

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

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

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

**2. Basis of Financial Statement Preparation**

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

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited financial statements are based upon management's evaluation of relevant



facts and circumstances as of the date of the unaudited financial statements. Actual results could differ from such estimates.

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

On May 14, 2021, the Audit Committee approved and authorized the release of the accompanying unaudited financial statements of AREIT, Inc.

### 3. Summary of Significant Accounting Policies

#### Basis of Preparation

The interim financial statements of the Company have been prepared on a historical cost basis 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.

#### Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that

together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

*Effective beginning on or after January 1, 2023*

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

*Deferred effectivity*

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

#### 4. Cash

This account consists of:

	<b>March 31, 2021</b>	December 31, 2020
Cash on hand	<b>₱22,500</b>	₱22,500
Cash in banks	<b>138,674,077</b>	58,955,047
	<b>₱138,696,577</b>	₱58,977,547

Cash in banks earn interest at the respective bank deposit rates which ranges from 0.25% to 0.30% and 0.35% to 0.45% in 2021 and 2020, respectively. Interest income earned from cash in banks amounted to ₱0.08 million and ₱0.14 million in 2021 and 2020, respectively.

#### 5. Receivables

This account consists of:

	<b>March 31, 2021</b>	December 31, 2020
Finance lease receivable	<b>₱2,239,253,248</b>	₱2,242,581,055
Due from related parties	<b>656,933,387</b>	2,242,543,812
Trade receivables		
Accrued rent	<b>424,715,452</b>	416,501,236
Billed	<b>167,711,664</b>	97,316,019
Other receivables	<b>510,004</b>	897,650
	<b>3,489,123,755</b>	4,999,839,772
Less allowance for credit losses	<b>14,923,759</b>	14,923,759
	<b>3,474,199,996</b>	4,984,916,013
Less noncurrent portion	<b>2,473,002,978</b>	2,600,726,540
	<b>₱1,001,197,018</b>	₱2,384,189,473

Accrued rent pertains to receivables resulting from the straight-line method of recognizing rental income.

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

As of March 31, 2021, (unaudited) aging of analysis of past due but not impaired trade receivables presents per class as follow:

	Neither Past Due nor Impaired	Past Due but not impaired					Total	Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days			
Due from related parties	P656,933,387	P-	P-	P-	P-	P-	P-	P-	P656,933,387
Finance lease receivable	2,239,253,248	-	-	-	-	-	-	-	2,239,253,248
Trade receivables									
Accrued rent	424,715,452	-	-	-	-	-	-	-	424,715,452
Billed	-	21,186,796	42,693,939	8,768,015	65,006,134	15,133,021	152,787,905	14,923,759	167,711,664
Others	510,004	-	-	-	-	-	-	-	510,004
<b>Total</b>	<b>P3,321,412,091</b>	<b>P21,186,796</b>	<b>P42,693,939</b>	<b>P8,768,015</b>	<b>P65,006,134</b>	<b>P15,133,021</b>	<b>P152,787,905</b>	<b>P14,923,759</b>	<b>P3,489,123,755</b>

#### Noncurrent portion of receivables

This account consists of:

	<b>March 31, 2021</b>	December 31, 2020
Finance lease receivable	<b>₱2,125,194,881</b>	₱2,194,794,056
Trade receivables	<b>347,808,097</b>	405,932,484
	<b>₱2,473,002,978</b>	₱2,600,726,540

The movements in allowance for credit losses follows:

	<b>March 31, 2021</b>	December 31, 2020
Balance at beginning of year	<b>₱14,923,759</b>	₱7,664,917
Additions	<b>–</b>	7,258,842
Balance at end of year	<b>₱14,923,759</b>	₱14,923,759

## 6. Other Assets

#### Other Current Assets

This account consists of:

	<b>March 31, 2021</b>	December 31, 2020
Input VAT	<b>₱246,638,888</b>	₱158,306,544
Creditable withholding taxes	<b>139,493,610</b>	112,971,793
Prepaid expenses	<b>123,711,891</b>	–
Recoverable deposits	<b>10,034,460</b>	10,034,460
	<b>₱519,878,849</b>	₱281,312,797

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.

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

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

Recoverable deposits pertain to various utility deposits.

#### Other Noncurrent Assets

This account consists of:

	<b>March 31, 2021</b>	December 31, 2020
Deferred input VAT	<b>₱1,173,513,620</b>	₱614,857,354
Input VAT	<b>386,349,435</b>	386,349,436
Advances to contractors	<b>1,612,641</b>	455,357
	<b>₱1,561,475,696</b>	₱1,001,662,147

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

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

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

## 7. Short- Term Debt

The short-term debt of the Company ended at ₱4,450 million and nil as of March 31, 2021 and December 31, 2020, respectively.

## 8. Accounts and Other Payables

This account consists of:

	March 31, 2021	December 31, 2020
Due to related parties (Note 11)	<b>₱511,230,738</b>	₱405,111,433
Accounts payable	<b>66,654,643</b>	26,949,888
Accrued expenses		
Light and water	<b>35,883,165</b>	10,770,650
Rent	<b>28,331,092</b>	12,654,660
Others	<b>20,517,251</b>	18,838,974
Repairs and maintenance	<b>12,229,891</b>	14,331,615
Taxes payable	<b>22,985,753</b>	24,485,058
Retention payable	<b>1,082,147</b>	785,200
	<b>₱698,914,680</b>	₱513,927,478

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

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

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

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

## 9. Deposits and Other Liabilities

This account consists of:

	March 31, 2021	December 31, 2020
Advance rentals	<b>₱586,722,592</b>	₱406,952,127
Security deposits	<b>444,875,166</b>	383,208,715
Deferred credits	<b>61,932,409</b>	61,932,409
	<b>1,093,530,167</b>	852,093,251
Less current portion	<b>285,388,022</b>	129,399,846
	<b>₱808,142,145</b>	₱722,693,405

The current portion of these accounts follows:

	March 31, 2021	December 31, 2020
Advance rentals	<b>₱201,524,659</b>	₱45,536,484
Security deposits	<b>83,737,432</b>	83,737,432
Deferred credits	<b>125,930</b>	125,930
	<b>₱285,388,021</b>	₱129,399,846

#### *Advance rentals*

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

#### *Security deposits*

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

## 10. Equity

#### Capital stock

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

	<b>March 31, 2021</b>	December 31,2020
Authorized	<b>1,174,000,000</b>	1,174,000,000
Par value per share	<b>₱10.00</b>	₱10.00
Issued and outstanding shares	<b>1,025,656,435</b>	1,025,656,435

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

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

#### Declaration and Payment of Cash Dividends

On August 17, 2020, the Company's BOD approved the declaration of cash dividends for the first and second quarter of 2020, of ₱0.28 and ₱0.31 per outstanding common share, respectively, to stockholders on record date as of September 2, 2020. 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. 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 fourth quarter of 2020, of ₱0.39 per outstanding common share to stockholders on record date as of March 15, 2021. The cash dividend was paid on March 25, 2021 to stockholders.

#### Distributable Income

The computation of the distributable income of the Company as of March 31, 2021 and December 31, 2020 is show below.

	<b>March 31, 2021</b>	December 31,2020
Net income	<b>₱402,793,391</b>	₱1,227,184,313
Distribution adjustments	-	(3,293,073)
<b>Distributable Income</b>	<b>₱402,793,391</b>	1,223,891,240

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

## 11. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which 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. The following tables provide the total balances and amount of transactions that have been entered into with related parties for the relevant financial year:

March 31, 2021			
Category	Outstanding Balance	Terms	Conditions
Finance lease receivable			
Makati North Hotel Ventures, Inc.	P2,239,253,248	Noninterest-bearing; Payable quarterly	Unsecured; No impairment
Due from related parties			
Parent Company		Interest-bearing and noninterest-bearing; Due and demandable	Unsecured; No impairment
Ayala Land, Inc.	567,101,128		
Affiliates*			
Bay City Commercial Ventures Corp.	14,556,284	Interest-bearing; On demand	Unsecured; No impairment
Makati North Hotel Ventures, Inc.	8,605,249	Interest-bearing; On demand	Unsecured; No impairment
Arvo Commercial Corporation	8,768,252	Interest-bearing; On demand	Unsecured; No impairment
First Gateway Real Estate Corp.	8,432,222	Noninterest-bearing; On demand	Unsecured; No impairment
North Eastern Commercial Corp.	6,629,035	Noninterest-bearing; On demand	Unsecured; No impairment
Integrated Micro-Electronics, Inc.	6,185,277	Noninterest-bearing; On demand	Unsecured; No impairment
Ayalaland Logistics Holdings Corp	5,687,206	Interest-bearing; On demand	Unsecured; No impairment
Capitol Central Commercial Ventures Corp.	4,363,618	Interest-bearing; On demand	Unsecured; No impairment
HLC Development Corporation	3,768,013	Interest-bearing; On demand	Unsecured; No impairment
AirsSwift Transport, Inc.	2,550,667	Interest-bearing; On demand	Unsecured; No impairment
AMSI, Inc.	2,464,491	Interest-bearing; On demand	Unsecured; No impairment
Arca South Commercial Ventures Corp.	2,250,258	Interest-bearing; On demand	Unsecured; No impairment
Crans Montana Property Holdings, Inc.	2,173,906	Interest-bearing; On demand	Unsecured; No impairment
Central Block Developers, Inc.	2,146,671	Interest-bearing; On demand	Unsecured; No impairment
Amaia Land Corp.	2,032,601	Interest-bearing; On demand	Unsecured; No impairment
Westview Commercial Ventures Corp.	1,816,394	Interest-bearing; On demand	Unsecured; No impairment
ALI Triangle Hotel Ventures, Inc.	1,795,182	Interest-bearing; On demand	Unsecured; No impairment
Soltea Commercial Corp.	1,310,169	Interest-bearing; On demand	Unsecured; No impairment
ALI Makati Hotel Property, Inc.	1,004,074	Interest-bearing; On demand	Unsecured; No impairment
Cavite Commercial Towncenter, Inc.	657,962	Interest-bearing; On demand	Unsecured; No impairment
Ayala Property Management Corporation	643,622	Interest-bearing; On demand	Unsecured; No impairment
Cagayan De Oro Gateway Corp.	537,083	Interest-bearing; On demand	Unsecured; No impairment



Ten Knots Philippines, Inc.	443,646	Interest-bearing; On demand	Unsecured; No impairment
Laguna Technopark, Inc.	397,970	Interest-bearing; On demand	Unsecured; No impairment
Econorth Resorts Ventures, Inc.	119,225	Interest-bearing; On demand	Unsecured; No impairment
Nuevocentro, Inc.	95,558	Interest-bearing; On demand	Unsecured; No impairment
Sicogon Island Tourism Estate Corp.	65,354	Interest-bearing; On demand	Unsecured; No impairment
Circuit Makati Hotel Ventures, Inc.	61,579	Interest-bearing; On demand	Unsecured; No impairment
ALI Commercial Center, Inc.	51,916	Interest-bearing; On demand	Unsecured; No impairment
Leisure and Allied Industries Phils. Inc	42,659	Interest-bearing; On demand	Unsecured; No impairment
BellaVita Land Corp.	39,830	Interest-bearing; On demand	Unsecured; No impairment
Cebu Holdings, Inc.	38,382	Interest-bearing; On demand	Unsecured; No impairment
Hillsford Property Corp.	33,552	Interest-bearing; On demand	Unsecured; No impairment
Alveo Land Corp.	33,114	Interest-bearing; On demand	Unsecured; No impairment
Sicogon Town Hotel, Inc.	30,103	Interest-bearing; On demand	Unsecured; No impairment
North Triangle Depot Commercial Corporation	985	Interest-bearing; On demand	Unsecured; No impairment
Sunnyfield E-Office Corp.	150	Interest-bearing; On demand	Unsecured; No impairment
	<b>₱656,933,387</b>		

Category	March 31, 2021		
	Outstanding Balance	Terms	Conditions
<b>Due to related parties</b>			
Parent Company			
Ayala Land Inc.	₱363,390,412	Noninterest-bearing, due and demandable	Unsecured
<b>Affiliates*</b>			
AREIT Fund Managers, Inc.	61,703,292	Noninterest-bearing; On demand	Unsecured
AREIT Property Managers, Inc.	46,676,897	Noninterest-bearing; On demand	Unsecured
HLC Development Corporation	19,279,116	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp.	6,992,458	Noninterest-bearing; On demand	Unsecured
Direct Power Services, Inc.	2,597,273	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc.	4,157,942	Noninterest-bearing; On demand	Unsecured
Makati Development Corp.	2,019,459	Noninterest-bearing; On demand	Unsecured
North Eastern Commercial Corp.	3,783,479	Noninterest-bearing; On demand	Unsecured
Others**	630,410	Interest-bearing and noninterest-bearing; On demand	Unsecured
	<b>₱511,230,738</b>		

\*Entities under common control

\*\*Entities below ₱2.00 million

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

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

Category	December 31, 2020			
	Volume	Outstanding Balance	Terms	Conditions
Due to related parties				
Parent Company				
Ayala Land Inc. (a)	P86,040,072	P306,091,203	Noninterest-bearing, due and demandable	Unsecured
Affiliates*				
AREIT Fund Managers, Inc. (m)	37,373,124	37,373,124	Noninterest-bearing; On demand	Unsecured
AREIT Property Managers, Inc. (n)	28,598,120	28,598,120	Noninterest-bearing; On demand	Unsecured
HLC Development Corporation (c)	20,987,186	13,773,210	Noninterest-bearing; On demand	Unsecured
Ayala Property Management, Corp. (f)	6,720,868	6,720,868	Noninterest-bearing; On demand	Unsecured
Direct Power Services, Inc. (d)	42,535,151	3,317,064	Noninterest-bearing; On demand	Unsecured
AyalaLand Offices, Inc. (h)	4,157,942	4,157,942	Noninterest-bearing; On demand	Unsecured
Makati Development Corp. (e)	–	2,019,459	Noninterest-bearing; On demand	Unsecured
Manila Water Company, Inc. (l)	2,061,853	2,061,853	Noninterest-bearing; On demand	Unsecured
Others**	998,590	998,590	Interest-bearing and noninterest-bearing; On demand	Unsecured
		P 405,111,433		

\*Entities under common control

\*\*Entities below P2.00 million

## 12. Financial Risk Management Objectives and Policies

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

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

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

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

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

### Liquidity risk

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

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

#### Credit risk

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

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

#### Fair Value Information

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

	<b>March 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
Security deposits	<b>P444,875,164</b>	<b>P359,463,425</b>	P383,208,715	P370,671,041

### **13. Fair Value Hierarchy**

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

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

### **14. Notes to Interim Statements of Cash Flow**

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

#### Operating

- Interest income from finance lease receivables amounting to P37.33 million for three months ended March 31, 2021. On March 2021, the Company received P43.50 million from Makati North Hotel Ventures, Inc. (MNHVI), for the rental payments, a movement in "Receivables" account that is presented under operating activities.

#### Investing

- Movement in intercompany loans presented under investing activities amounting to ₱1,593.90 million and ₱169.30 million for the three months ended March 31, 2021 and 2020 respectively, is a movement in “Receivables” account that is presented under operating activities.

### 15. Segment Reporting

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

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

### 16. Events After Financial Reporting Date

**On April 23, 2021**, the stockholders of AREIT, Inc. at its Annual Stockholders’ Meeting considered and approved the following items:

- Minutes of the previous meeting
- Annual report for calendar year (CY) 2020 including the Audited Financial Statements for the CY December 31, 2020
- Ratification of the acts and resolutions of the Board of Directors and Management during the preceding year
- Approval of the amendment to the Sixth Article of the Articles of Incorporation to increase the number of directors from seven (7) to eight (8)
- Approval of the increase of Authorized Capital Stock from Php11,740,000,000.00 to Php29,500,000,000.00, and the corresponding amendment of the Seventh Article of the Articles of Incorporation
- Approval of the issuance of common shares in exchange for properties
- Approval of the delegation of authority to amend, repeal or adopt new By-Laws to the Board of Directors
- Election of the directors (including Independent Directors)
- Election of SyCip Gorres Velayo & Co. as our external auditor for the year 2021 and fixing of its remuneration

**On April 23, 2021** at its Special Stockholders’ Meeting held immediately after its annual meeting, the majority of the minority stockholders represented in the meeting considered and approved the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc., and its subsidiaries, Westview Commercial Ventures Corp., and Glensworth Development, Inc.

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

### **Review of 3M 2021 operations vs 3M 2020**

AREIT, Inc. (AREIT or "the Company") net income after tax increased by 60% from ₱251.82 million in 2020 to ₱402.79 million in 2021. The increase was primarily driven by the operations of The 30th commercial development and Laguna Technopark lots, which were acquired by the Company last January 2021.

#### **Revenues**

Total revenues increased by 52% from ₱446.83 million in 2020 to ₱679.72 million in 2021. This was mainly driven by higher rental income and net dues.

*Rental Income* increased by 52% from ₱355.99 million in 2020 to ₱541.19 million in 2021. The increase was primarily attributable to the addition of The 30th commercial development and Laguna Technopark lots and from the full operations of McKinley Exchange Corporate Center and Teleperformance Cebu, which were added to the Company's portfolio in February and October 2020, respectively.

*Dues* increased by 90% from ₱53.34 million in 2020 to ₱101.19 million in 2021. The increase was attributable to the operations of new assets in acquired in 2021 as well from the full year effect of assets acquired in 2020.

*Interest income from finance lease*, this is attributable to the long-term lease of Makati North Hotel Ventures, Inc. with the Company, which commenced in September 2019. The Company recognized interest income from finance lease amounting to ₱37.33 million and ₱37.50 million in March 31, 2021 and 2020, respectively.

#### **Cost and Expenses**

*Direct operating expenses* increased by 88% from ₱126.41 million in 2020 to ₱237.12 million in 2021. The increase was primarily attributable to an increase in depreciation of ₱47.21 million, an increase in management fee of ₱46.39 million, an increase in land lease of ₱9.90 million and an increase in taxes and licenses of ₱7.02 million. These increases were related to the operations of The 30th commercial development, McKinley Exchange Corporate Center and Teleperformance Cebu.

*General and administrative expenses* increased by 47%, mainly due to documentary stamp tax paid for loan availments.

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

*Interest Income* decreased by 82% from ₱14.62 million in 2020 to ₱2.59 million in 2021. The decrease was due to the decrease in interest income from intercompany loans from ₱14.48 million in 2020 to ₱2.50 million in 2021.

*Interest expense* increased by 65% from ₱18.77 million in 2020 to ₱30.97 million in 2021. The increase was primarily attributable to the recognition of interest expense on loans amounting to ₱16.95 million in 2021.

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

*Provision for income tax* significantly decreased by 100% from ₱60.26 million in 2020 to ₱0.02 million in 2021. The decrease was mainly due to zero net taxable income.

#### **Capital Expenditure**

AREIT acquired parcels of land in Laguna Technopark from Technopark Land, Inc. on January 5, 2021 for a total amount of ₱987.98 million.

The Company also acquired The 30<sup>th</sup> commercial development from Ayala Land, Inc. on January 15, 2021 for a total amount of ₱4,564.34 million.

### Property Performance (as of March 31, 2021)

	Solaris	Ayala North Exchange	MECC	TP Cebu	The30th	Laguna Technopark Land
Location	Makati	Makati	Makati	Cebu	Pasig	Laguna
Acquisition cost (in millions)	₱1,767 M	₱6,913 M	n/a	₱1,450 M	₱4,564 M	₱988 M
Valuation cost (in millions)	₱12,054 M	₱13,810 M	₱2,072 M	₱2,510 M		
Occupancy rates	100%	98%	99%	100%	99%	100%
WALE (years)	4	13	2	6	4	7
Remaining Land lease term	27	37	33	30	35	n/a
Revenue Contribution in 1Q 2021	28%	37%	5%	8%	20%	3%
Cost contribution in 1Q 2021	20%	44%	4%	8%	24%	0.1%

*Valuation cost per Appraisal reports dated June 2020, except for Teleperformance Cebu dated March 2021*

	Solaris	Ayala North Exchange	MECC	TP Cebu	The30th	Laguna Technopark Land	Total
Rental Income	₱141 M	₱236 M	₱27 M	₱38 M	₱110 M	₱19 M	₱570 M
Gross Revenues	₱191 M	₱251 M	₱32 M	₱52 M	₱135 M	₱19 M	₱680 M
	28%	37%	5%	8%	20%	3%	
DOE	₱37 M	₱68 M	₱3 M	₱7 M	₱24 M	₱0.2 M	₱138 M
Depreciation	₱11 M	₱36 M	₱6 M	₱13 M	₱32 M	-	₱99 M
Total DOE & Depreciation	₱48 M	₱104 M	₱9 M	₱19 M	₱56 M	₱0.2 M	₱237 M
	20%	44%	4%	8%	24%	0.1%	

### Summary of Real Estate transactions for 1Q 2021

**On January 5, 2021**, AREIT entered into a Deed of Absolute Sale with Technopark Land, Inc., a subsidiary of Ayala Corporation, to acquire 98 thousand square meters of land for Php1.1 billion (VAT inclusive). located in Laguna Technopark is being leased by Integrated Micro-Electronics, Inc. for its manufacturing operations. The price was derived from a third-party valuation, using the market approach with a yield of 6.28% based on total acquisition cost.

**On 15 Jan 2021**, AREIT entered into a Deed of Sale with Ayala Land Inc. for the acquisition of The 30th Commercial Development for Php5.1 billion (VAT inclusive). The price was derived from a third-party valuation, using the income approach with an EBITDA yield of 6.1% based on total acquisition cost. the Located along Meralco Avenue in Pasig City, it is a building with a total gross leasable area (GLA) of 75 thousand square meters composed of an office tower and a retail podium.

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

**Balance Sheet items- March 2021 versus December 2020**

**Cash** increased by 135% primarily due to net increase in cash during the period.

**Receivables** decreased by 58% mainly due to termination of intercompany lendings.

**Other current assets** increased by 85% due to higher input VAT, creditable withholding taxes and prepaid expenses.

**Investment properties** up by 74% due to the acquisition of The 30th commercial development and parcels of land in Laguna Technopark.

**Other noncurrent assets** increased by 56% due to higher deferred input VAT.

**Accounts and other payables** increased by 36% due to increase in due to related parties, primarily for fund and property management fees and accrued expenses.

**Current portion of deposits and other liabilities** increased by 121% due to higher advance rent.

**Noncurrent liabilities** increased by 7% mainly due to additional security deposit and advance rent from The 30th Corporate Center tenants.

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**Financial Condition**

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

	<b>March 31, 2021</b>
	<b>Unaudited</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash (Note 4)	<b>₱138,696,577</b>
Receivables (Note 5)	<b>1,001,197,018</b>
Other current assets (Note 6)	<b>519,878,849</b>
<b>Total Current Assets</b>	<b>1,659,772,444</b>
<b>Noncurrent Assets</b>	
Noncurrent portion of receivables (Note 5)	<b>2,473,002,978</b>
Investment properties	<b>13,830,150,486</b>
Property and equipment	<b>10,045</b>
Other noncurrent assets (Note 6)	<b>1,561,475,696</b>
<b>Total Noncurrent Assets</b>	<b>17,864,639,205</b>
	<b>₱19,524,411,649</b>



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**LIABILITIES AND EQUITY****Current Liabilities**

Short- term debt	<b>₱4,450,500,000</b>
Accounts and other payables (Note 7)	<b>698,914,680</b>
Current portion of deposits and other liabilities (Note 9)	<b>285,388,021</b>
Income tax payable	<b>54,444,350</b>
Current portion of lease liability	<b>31,257,975</b>
<b>Total Current Liabilities</b>	<b>5,520,505,026</b>

**Noncurrent Liabilities**

Deposits and other liabilities - net of current portion (Note 9)	<b>808,142,145</b>
Lease liability - net of current portion	<b>854,603,091</b>
<b>Total Noncurrent Liabilities</b>	<b>1,662,745,236</b>
<b>Total Liabilities</b>	<b>7,183,250,262</b>

**Equity** (Note 10)

Paid-up capital	<b>10,929,864,050</b>
Treasury shares	<b>(673,299,700)</b>
Additional paid-in capital	<b>785,681,404</b>
Retained earnings	<b>1,298,915,633</b>
<b>Total Equity</b>	<b>12,341,161,387</b>
	<b>₱19,524,411,649</b>

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## PART II- OTHER INFORMATION

### Item 3. Developments as of March 31, 2021

- |  |   |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
|--|---|----------------------------|----------|----------------|-----------------|--------------------|-----------|-----------------------|------------------------|------------------------|------------------------|--------------|---------------------------|----------------|----------------------|---------------|----------------------|
| <b>A. New project or investments in another line of business or corporation</b>  | None  |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| <b>B. Composition of Board of Directors (as of April 23, 2021)</b>   | <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Jose Emmanuel H. Jalandoni</td> <td style="width: 40%;">Chairman</td> </tr> <tr> <td>Carol T. Mills</td> <td>President &amp; CEO</td> </tr> <tr> <td>Augusto D. Bengzon</td> <td>Treasurer</td> </tr> <tr> <td>Bernard Vincent O. Dy</td> <td>Non-Executive Director</td> </tr> <tr> <td>Mariana Zobel de Ayala</td> <td>Non-Executive Director</td> </tr> <tr> <td>Omar T. Cruz</td> <td>Lead Independent Director</td> </tr> <tr> <td>Enrico S. Cruz</td> <td>Independent Director</td> </tr> <tr> <td>Simeon S. Cua</td> <td>Independent Director</td> </tr> </table> | Jose Emmanuel H. Jalandoni | Chairman | Carol T. Mills | President & CEO | Augusto D. Bengzon | Treasurer | Bernard Vincent O. Dy | Non-Executive Director | Mariana Zobel de Ayala | Non-Executive Director | Omar T. Cruz | Lead Independent Director | Enrico S. Cruz | Independent Director | Simeon S. Cua | Independent Director |
| Jose Emmanuel H. Jalandoni   | Chairman  |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| Carol T. Mills   | President & CEO   |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| Augusto D. Bengzon   | Treasurer   |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| Bernard Vincent O. Dy  | Non-Executive Director  |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| Mariana Zobel de Ayala   | Non-Executive Director  |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| Omar T. Cruz   | Lead Independent Director   |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| Enrico S. Cruz   | Independent Director  |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| Simeon S. Cua  | Independent Director  |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| <b>C. Performance of the corporation or result/progress of operations</b>  | Please see unaudited financial statements and management's discussion on results of operations.   |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| <b>D. Declaration of dividends</b>   | ₱0.39 cash dividend per outstanding common share<br>Declaration date: February 24, 2021<br>Record date: March 15, 2021<br>Payment date: March 25, 2021  |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| <b>E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements</b> | None  |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| <b>F. Offering of rights, granting of Stock Options and corresponding plans therefore</b>  | None  |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| <b>G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate</b>   | None  |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| <b>H. Other information, material events or happenings that may have affected or may affect market price of security</b>   | None  |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |
| <b>I. Transferring of assets, except in normal course of business</b>  | None  |                            |          |                |                 |                    |           |                       |                        |                        |                        |              |                           |                |                      |               |                      |

#### Item 4. Other Notes to 1Q 2021 Operations and Financials

- J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents** Please see Item 2: Management's Discussion on Results of Operations and Analysis.
- K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period** Please see page 21: Causes for any material changes (+/- 5% or more) in the financial statements
- L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities** AREIT availed of short-term loans totaling P4.5 billion to partially fund the acquisition of The 30<sup>th</sup> commercial development.
- M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period** **On April 23, 2021**, the stockholders of AREIT, Inc. at its Annual Stockholders' Meeting considered and approved the following items:
- Minutes of the previous meeting
  - Annual report for calendar year (CY) 2020 including the Audited Financial Statements for the CY December 31, 2020
  - Ratification of the acts and resolutions of the Board of Directors and Management during the preceding year
  - Approval of the amendment to the Sixth Article of the Articles of Incorporation to increase the number of directors from seven (7) to eight (8)
  - Approval of the increase of Authorized Capital Stock from Php11,740,000,000.00 to Php29,500,000,000.00, and the corresponding amendment of the Seventh Article of the Articles of Incorporation
  - Approval of the issuance of common shares in exchange for properties
  - Approval of the delegation of authority to amend, repeal or adopt new By-Laws to the Board of Directors
  - Election of the directors (including Independent Directors)
  - Election of SyCip Gorres Velayo & Co. as our external auditor for the year 2021 and fixing of its remuneration

**On April 23, 2021** at its Special Stockholders' Meeting held immediately after its annual meeting, the majority of the minority stockholders represented in the meeting considered and approved the waiver of the requirement to conduct a rights or public offering of the shares to be subscribed by Ayala Land, Inc., and its subsidiaries, Westview Commercial Ventures Corp., and Glensworth Development, Inc.

<b>N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations</b>	None
<b>O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date</b>	None
<b>P. Other material events or transactions during the interim period</b>	<p><b>On January 5, 2021</b>, AREIT, Inc. (AREIT) purchased 9.8 hectares of land owned by Technopark Land, Inc. (TLI) in Laguna Technopark through a deed of sale for Php 1.1 billion, VAT-inclusive. Comprised of four parcels, the land is being leased by Integrated Micro-Electronics, Inc. (IMI) for the next 7 years.</p> <p><b>On January 15, 2021</b>, AREIT signed the deed of sale with Ayala Land, Inc. for the acquisition of The 30<sup>th</sup> Commercial Development in Pasig City.</p> <p><b>On February 24, 2021</b>, The Board of Directors of AREIT approved the following items at its regular meeting:</p> <ul style="list-style-type: none"> <li>• The declaration of cash dividends of P0.39 per outstanding common share for the fourth quarter of 2020. The cash dividends will be payable on March 25, 2021 to stockholders on record as of March 15, 2021. This will result into total cash dividends of P1.32 per outstanding common share from its full year 2020 operations.</li> <li>• Holding of fully virtual annual stockholders' meeting and use of Globe studio for broadcasting of the meeting</li> </ul> <p><b>On March 16, 2021</b>, The Board of Directors of AREIT approved the following items at its special meeting :</p> <ul style="list-style-type: none"> <li>• The increase of AREIT's authorized capital stock from Php11,740,000,000.00 to Php29,500,000,000.00, and the corresponding amendment of the Seventh Article of the Articles of Incorporation.</li> <li>• The subscription of Ayala Land, Inc. (ALI) of 483,254,375 primary common shares of AREIT in exchange for identified key ALI commercial properties valued at P15,464,140,000.00 under a property-for-share swap transaction at a price of P32.00 per share, as validated by a third-party fairness opinion.</li> </ul> <p><b>On March 30, 2021</b>, The Board of Directors of AREIT, at its special meeting approved the conduct of a special Stockholders' Meeting on April 23, 2021, immediately following the Company's Annual Stockholders' Meeting. This is in</p>

compliance to the requirements of the Philippine Stock Exchange for the approval of the majority of the minority shareholders of a waiver for the requirement to conduct a rights or public offering on 483,254,375 primary common shares of AREIT.

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

## Item 5. Performance Indicators

The table below shows AREIT's performance indicators:

	End-March 2021	End-December 2020
Current ratio <sup>1</sup>	0.30:1	3.72:1
Debt-to-equity ratio <sup>2</sup>	0.36:1	—
Net debt-to-equity ratio <sup>3</sup>	0:35:1	—
Profitability Ratios:		
Return on assets <sup>4</sup>	8%	9%
Return on equity <sup>5</sup>	13%	11%
Asset to Equity ratio <sup>6</sup>	1.58:1	1.19:1

Notes:

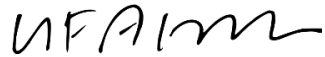
- (1) Current ratio is derived by dividing current assets by current liabilities at the end of a given period. Current ratio measures our ability to pay short-term obligations.
- (2) Debt to equity ratio is derived by dividing our total loans and borrowings by total equity. Debt to equity ratio measures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

**SIGNATURE**

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

Issuer: **AREIT, INC.**

By:



**ELAINE MARIE F. ALZONA**  
Chief Finance Officer and Chief Compliance Officer

Date: May 14, 2021

April 15, 2021

**THE PHILIPPINE STOCK EXCHANGE**

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

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

Subject: 2021 First Quarter Progress Report on the Disbursement of Proceeds from the Initial  
Public Offering ("IPO") of AREIT, Inc. ("AREIT")

Dear Ms. Encarnacion,

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

Please be advised that as of March 31, 2021 the remaining balance of the proceeds from the AREIT IPO amounts to Nine Billion Two Hundred Fifty One Million Four Hundred Seventy Thousand Five Hundred Pesos and Forty Eight Centavos (Php9,251,470,500.48).

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

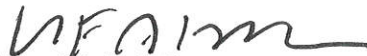
Balance of IPO Proceeds as of December 31, 2020	Php	9,598,470,500.48
Less: Disbursements from Jan 1 to Mar 31 (Annex A)		<u>347,000,000.00</u>
Balance of IPO Proceeds as of March 31, 2021	Php	<u><b>9,251,470,500.48</b></u>

Thank you.

Very truly yours,



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



**Elaine Marie F. Alzona**  
AREIT, Inc.  
Chief Finance and Compliance Officer



SUBSCRIBED AND SWORN to before me this 14 APR 2021 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC. <i>Represented by:</i> Augusto D. Bengzon	TIN: 000-153-790-000  Passport No. P4323352B	  08 Jan 2020/ DFA NCR East
AREIT, Inc. <i>Represented by:</i> Elaine Marie F. Alzona	TIN: 006-346-689-000  Driver's License No. N02-96-320705	  Expiration Date 26 Aug 2024

Doc. No.	<u>278</u>
Page No.	<u>80</u>
Book No.	<u>101</u>
Series of	<u>2021</u>

**ATTY. JOSHUA P. LAPUZ**  
Notary Public for and in Makati City  
Appointment No. M-66 until 12/31/2021  
PTR No. 8531012, Jan. 4, 2021 Until Dec. 31, 2021 Makati City  
Roll No. 45790, IBP, Lifetime N. 04897  
MCLE No VI-0016565, Jan. 14, 2019  
G/F Paderan Subv. 199 Salcedo Street,  
Ermita, Makati City

**ANNEX A- Disbursements from January 1 to March 31, 2021**

<b>Date</b>	<b>Disbursing Entity</b>	<b>Project Name</b>	<b>Amount</b>
02/02/2021	North Triangle Depot Commercial Corp	Trinoma Expansion	120,000,000.00
03/15/2021	ALI Commercial Center Inc.	One Ayala (BPO & Malls)	227,000,000.00
<b>TOTAL</b>			<b>347,000,000.00</b>

**STRICTLY CONFIDENTIAL**

**REPORT OF FACTUAL FINDINGS**

**AYALA LAND, INC.**

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

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

Dear Mr. Bengzon:

We have performed the procedures agreed with you and enumerated below with respect to the attached Quarterly Progress Report as at **March 31, 2021** on the use of the proceeds from the secondary offer received by **Ayala Land, Inc.** (the “Company”) from the Initial Public Offering (IPO) of **AREIT, Inc.** (“AREIT”) on **August 13, 2020**. The procedures were performed solely to enable the Company to comply with the Philippine Stock Exchange, Inc.’s (PSE) requirement to submit an external auditor’s certification on the information being presented by the Company relating to the use of proceeds. Our engagement was undertaken in accordance with the Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. These agreed-upon procedures and results thereof are summarized as follows:

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

We report our findings below:

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

<b>Distributing Entity</b>	<b>Start Date</b>	<b>Amount</b>	<b>Project Name</b>
North Triangle Depot Commercial Corp	2/2/2021	120,000,000	Trinoma Expansion
ALI Commercial Center Inc.	3/15/2021	227,000,000	One Ayala (BPO & Malls)
		<b>₱347,000,000</b>	

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

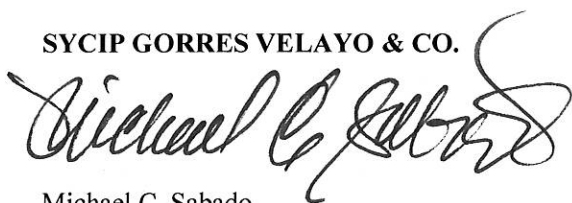
3. There were no additions during the quarter. Further, we inquired into and identified the nature of the disbursements. We checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of IPO proceeds as documented in the Reinvestment Plan. We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

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

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

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

**SYCIP GORRES VELAYO & CO.**



Michael C. Sabado

Partner

CPA Certificate No. 89336

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

November 11, 2019, valid until November 10, 2022

Tax Identification No. 160-302-865

BIR Accreditation No. 08-001998-073-2020,

December 3, 2020, valid until December 2, 2023

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

**ACKNOWLEDGMENT**

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

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

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

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

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

Doc. No. 342 ;  
Page No. 09 ;  
Book No. 101 ;  
Series of 2021.

**ATTY. JOSHUA P. LAPUZ**  
Notary Public for and in Makati City  
Appointment No. M-66 until 12/31/2021  
PTR No. 8531012, Jan. 4, 2021 Until Dec. 31, 2021 Makati City  
Roll No. 45790, IBP, Lifetime N. 04897  
MCLE No VI-0016565 / Jan. 14, 2019  
G/F Fedman Suites, 199 Salcedo Street,  
Legaspi Village, Makati City

April 15, 2021

**THE PHILIPPINE STOCK EXCHANGE**

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

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

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

Dear Ms. Encarnacion,

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

Please be advised that as of March 31, 2021 the remaining balance of the proceeds from the sale of The30th Commercial development to AREIT, Inc., amounts to Four Billion Five Hundred Fifty Nine Million Two Hundred Sixty One Thousand Twelve Pesos and Ninety Seven Centavos (Php4,559,261,012.97).

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

Beginning Balance of Proceeds from the sale of The30th Commercial development	Php	5,112,058,063.28
Less: Disbursements from Jan 1 to Mar 31 (Annex A)		<u>552,797,050.31</u>
Balance of Proceeds from the sale of The30th as of March 31, 2021	<b>Php</b>	<b><u>4,559,261,012.97</u></b>

Thank you.

Very truly yours,

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

  
**Elaine Marie F. Alzona**  
AREIT, Inc.  
Chief Finance and Compliance Officer

**ANNEX A- Disbursements from January 1 to March 31, 2021**

<b>Disbursing Entity</b>	<b>Project Name</b>	<b>Amount</b>
Ayala Land, Inc.	Tarlac Project	400,000,000.00
ALI Eton Property Development Corp.	Parklinks (Malls & Offices)	1,367,023.79
Cebu District Property Enterprise, Inc.	Gatewalk Central (Malls & Offices)	140,276,205.85
Unity Realty & Dev't Corp.	Pampanga Property	11,153,820.67
<b>TOTAL</b>		<b>552,797,050.31</b>

SUBSCRIBED AND SWORN to before me this 14 APR 2021 at Makati City, affiants exhibiting to me their identification documents as follows:

Name	Competent Evidence of Identity	Date and Place Issued
AYALA LAND, INC. <i>Represented by:</i> Augusto D. Bengzon	TIN: 000-153-790-000  Passport No. P4323352B	  08 Jan 2020/ DFA NCR East
AREIT, Inc. <i>Represented by:</i> Elaine Marie F. Alzona	TIN: 006-346-689-000  Driver's License No. N02-96-320705	  Expiration Date 26 Aug 2024

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Page No.	<u>56</u>
Book No.	<u>19</u>
Series of	<u>221</u>

**ATTY. JOSHUA P. LAPUZ**  
Notary Public for and in Makati City  
Appointment No. M-66 until 12/31/2021  
PTR No. 8531012, Jan. 4, 2021 Until Dec. 31, 2021 Makati City  
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MCLE No VI-0016565 / Jan. 14, 2019  
C/F Fedman Suites, 199 Salcedo Street,  
Legaspi Village, Makati City



**STRICTLY CONFIDENTIAL**

**REPORT OF FACTUAL FINDINGS**

**AYALA LAND, INC.**

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

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

Dear Mr. Bengzon:

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

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

We report our findings below:

1. We checked the mathematical accuracy of the Schedule, no exceptions noted.
2. We compared the gross proceeds received in the Schedule amounting to ₱5,112.06 million to the bank statements and executed deed of absolute sale between Ayala Land, Inc. and AREIT, Inc. See procedure below:
  - The total purchase price of ₱5,112.06 million is inclusive of value-added tax (VAT) of ₱547.72 million and withholding tax of ₱228.22 million.
  - The Company received ₱1,022.41 million (inclusive of ₱109.54 million VAT and ₱45.64 million withholding tax) on January 15, 2021 as initial payment upon execution of the deed of absolute sale.
  - The remaining balance of ₱4,089.65 million (inclusive of ₱438.18 million VAT and ₱182.57 million withholding tax) was received by the Company on January 29, 2021.

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

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

<b>Distributing Entity</b>	<b>Amount</b>	<b>Project Name</b>
Ayala Land, Inc.	₱400,000,000	Tarlac Project
ALI Eton Property Development Corp.	1,367,024	Parklinks (Malls & Offices)
Cebu District Property Enterprise, Inc.	140,276,206	Gatewalk Central (Malls & Offices)
Unity Realty & Dev't Corp.	11,153,820	Pampanga Property
	<b>₱552,797,050</b>	

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

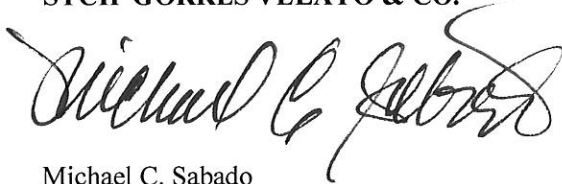
4. We inquired into and identified the nature of the additions and disbursements. We checked if the disbursements were classified consistently according to its nature based on the schedule of planned use of The 30<sup>th</sup> proceeds as documented in the Reinvestment Plan. We have noted that the abovementioned entities and the related projects were included in the Reinvestment Plan, and the amounts disbursed to these companies have not exceeded the planned use. No exceptions noted.

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

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

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

**SYCIP GORRES VELAYO & CO.**

A handwritten signature in black ink, appearing to read "Michael C. Sabado", written in a cursive style.

Michael C. Sabado

Partner

CPA Certificate No. 89336

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

November 11, 2019, valid until November 10, 2022

Tax Identification No. 160-302-865

BIR Accreditation No. 08-001998-073-2020,

December 3, 2020, valid until December 2, 2023

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

**ACKNOWLEDGMENT**

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

I certify that on 13 April 2021, before me a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

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

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

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

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Page No. 69 ;  
Book No. 101 ;  
Series of 2021.

**ATTY. JOSHUA P. LAPUZ**  
Notary Public for and in Makati City  
Appointment No. M-66 until 12/31/2021  
PTR No. 8531012, Jan. 4, 2021 Until Dec. 31, 2021 Makati City  
Roll No. 45790, IBP, Lifetime N. 04897  
MCLE No VI-0016565 / Jan. 14, 2019  
G/F Fedman Suites, 199 Salcedo Street,  
Legaspi Village, Makati City