STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AREIT**, Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended December 31, 2023, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

CAROL T. MILLS
President & Chief Executive Officer

MA. TERESA R. FAMY
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 19 2024, at Makati City, affiants exhibited to me their passports as competent evidence of their identities, as follows:

Name	Passport No.	Date/Place of Issue
Anna Ma. Margarita B. Dy	P6087936B	January 6, 2021 – DFA Manila
Carol T. Mills	P9958069A	December 17, 2021 – DFA NCR South
Ma. Teresa R. Famy	P8757104B	January 25, 2022 – DFA Manila

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

Doc. No. 368
Page No. 75
Book No. LIV
Series of 2024.

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

ATTY. ROBERTO T. ONGSIAKO
NOTARY PUBLIC
ROLL NO. 37041
MAKATI CITY, PHILIPPINES

ROBERTO T. ONGSIAKO
Notary Public – Makati City
Appt. No. M-056 until December 31, 2024
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 – RSM Chapter
PTR No. 10075604 – 01/02/2024 - Makati City
MCLE Compliance No. VIII – 0000591 – 09/30/2022
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	6	1	3	8	7	0

COMPANY NAME

A R E I T , I N C .

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	**SEC**	**N/A**

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

NOTE1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.* ***2 :*** *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Our Opinion

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

What we have audited

The financial statements of the Company comprise:

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

Basis for Opinion

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

Independence

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

Other Matter

The financial statements of the Company as at December 31, 2022 and for the years ended December 31, 2022 and 2021 were audited by another firm of auditors whose report, dated February 24, 2023, expressed an unmodified opinion on those statements.

Our Audit Approach

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

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

Key Audit Matters

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

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

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Valuation of investment properties	
Refer to Notes 5 and 19.2 to the financial statements for the details of the investment properties and discussion on critical accounting estimates and assumptions. As at December 31, 2023, total investment properties, carried at fair value, amount to P78.26 billion, which accounts for approximately 84% of the total assets of the Company. The determination of fair values by the management and an external appraiser involves significant estimation using assumptions such as discount rates, growth rates, and free cash flows, which are influenced by the prevailing market rates and comparable information. A fair value assessment is performed regularly based on the requirements of PFRS 13, *Fair Value Measurement*, and Philippine Accounting Standard (PAS) 40, *Investment Property*.	We obtained the latest appraisal reports for investment properties as at December 31, 2023 and assessed the appropriateness of the valuation methodology and significant fair value inputs and assumptions used, which include discount rates, growth rates and free cash flows. We tested the significant inputs and assumptions by establishing our independent estimates based on the current market and economic conditions as well as the Company's historical experience. Further, we assessed the reasonableness of the valuation of investment properties through benchmarking with comparable companies. In performing these procedures, we involved our internal valuation expert. We evaluated the competence and objectivity of the external appraiser engaged by the Company by reviewing their profile, licenses, and client portfolio. We also checked the appropriateness and sufficiency of the note disclosures on the valuation of investment properties in accordance with the requirements of PFRS 13 and PAS 40.

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on the Bureau of Internal Revenue Requirement

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

The engagement partner on the audit resulting in this independent auditor's report is Ruth F. Blasco.

Isla Lipana & Co.

ruthfblasco

Ruth F. Blasco
Partner
CPA Cert No. 112595
P.T.R. No. 0018519, issued on January 11, 2024, Makati City
TIN 235-725-236
BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 19, 2024

pwc

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

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

Isla Lipana & Co.

Ruth F. Blasco
Partner
CPA Cert No. 112595
P.T.R. No. 0018519, issued on January 11, 2024, Makati City
TIN 235-725-236
BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 19, 2024

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AREIT, Inc. (the “Company”) as at and for the year ended December 31, 2023, and have issued our report thereon dated February 19, 2024. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company’s management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (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 SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company’s financial statements as at and for the year ended December 31, 2023 and no material exceptions were noted.

Isla Lipana & Co.

Ruth F. Blasco
Partner
CPA Cert No. 112595
P.T.R. No. 0018519, issued on January 11, 2024, Makati City
TIN 235-725-236
BIR A.N. 08-000745-133-2023, issued on May 9, 2023; effective until May 8, 2026
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Makati City
February 19, 2024

AREIT, Inc.

Statement of Financial Position
As at December 31, 2023
(With comparative figures as at December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
ASSETS			
Current assets			
Cash	2	41,758,546	62,753,382
Receivables	3	5,137,114,658	1,919,183,751
Other current assets	4	178,145,850	155,825,886
Total current assets		5,357,019,054	2,137,763,019
Non-current assets			
Receivables, net of current portion	3,16	8,055,590,803	2,986,455,069
Investment properties	5	78,255,747,008	60,871,459,005
Property and equipment, net	6	1,053,460	598,631
Other non-current assets	4	1,602,882,126	1,689,713,043
Total non-current assets		87,915,273,397	65,548,225,748
Total assets		93,272,292,451	67,685,988,767
LIABILITIES AND EQUITY			
Current liabilities			
Accounts and other payables	7	2,127,536,764	1,065,080,572
Short-term debt	8	3,000,000,000	300,000,000
Current portion of long-term debt	8	-	2,977,693,930
Current portion of deposits and other liabilities	9	649,210,862	527,675,373
Current portion of lease liabilities	16	54,204,832	50,290,868
Construction bonds	10	95,692,253	98,584,276
Total current liabilities		5,926,644,711	5,019,325,019
Non-current liabilities			
Deposits and other liabilities, net of current portion	9	2,773,205,028	1,457,484,429
Lease liabilities, net of current portion	16	1,162,605,903	1,136,289,490
Total non-current liabilities		3,935,810,931	2,593,773,919
Total liabilities		9,862,455,642	7,613,098,938
Equity	11		
Paid-up capital		24,359,365,430	18,283,771,630
Treasury shares		(673,299,700)	(673,299,700)
Additional paid-in capital		36,320,032,381	20,021,645,532
Retained earnings		23,403,738,698	22,440,772,367
Total equity		83,409,836,809	60,072,889,829
Total liabilities and equity		93,272,292,451	67,685,988,767

The notes on pages 1 to 42 are an integral part of these financial statements.

AREIT, Inc.

Statement of Total Comprehensive Income
For the year ended December 31, 2023
(With comparative figures for the years ended December 31, 2022 and 2021)
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
Revenue				
Rental income	5,12,16	5,438,890,870	3,807,533,243	2,506,910,928
Dues	5,13	1,250,613,030	1,042,991,455	621,005,658
Interest income from finance lease receivables	13	450,832,306	222,321,826	188,547,234
		7,140,336,206	5,072,846,524	3,316,463,820
Costs and expenses				
Direct operating expenses	5,15	1,978,492,974	1,359,803,642	815,866,427
General and administrative expenses	15	126,349,291	79,490,176	103,397,784
		2,104,842,265	1,439,293,818	919,264,211
Other charges, net				
Interest income	14	133,829,672	34,332,442	7,208,646
Interest expense and other charges	15	(236,970,210)	(231,243,666)	(185,459,737)
Gain under finance lease	16	-	-	49,763,675
Other income	14	2,678	-	101,034
		(103,137,860)	(196,911,224)	(128,386,382)
Net fair value change in investment properties	5	99,254,883	(548,953,984)	164,502,279
Income before income tax		5,031,610,964	2,887,687,498	2,433,315,506
Provision for income tax	17	1,066,925	124,462	48,466
Net income for the year		5,030,544,039	2,887,563,036	2,433,267,040
Other comprehensive income		-	-	-
Total comprehensive income for the year		5,030,544,039	2,887,563,036	2,433,267,040
Basic and diluted earnings per share	21	2.60	1.91	1.64

The notes on pages 1 to 42 are an integral part of these financial statements.

AREIT, Inc.

Statement of Changes in Equity
For the year ended December 31, 2023
(With comparative figures for the years ended December 31, 2022 and 2021)
(All amounts in Philippine Peso)

	Paid-up capital (Note 11)	Treasury shares (Note 11)	Additional paid-in capital (Note 11)	Retained earnings (Note 11)	Total equity
At January 1, 2021	10,929,864,050	(673,299,700)	785,681,404	21,765,499,530	32,807,745,284
Comprehensive income					
Net income for the year	-	-	-	2,433,267,040	2,433,267,040
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,433,267,040	2,433,267,040
Transactions with stockholders					
Issuance of new shares	4,832,543,750	-	10,583,270,809	-	15,415,814,559
Share issuance costs	-	-	(35,877,520)	-	(35,877,520)
Cash dividends	-	-	-	(1,733,359,375)	(1,733,359,375)
Total transactions with stockholders	4,832,543,750	-	10,547,393,289	(1,733,359,375)	13,646,577,664
At December 31, 2021	15,762,407,800	(673,299,700)	11,333,074,693	22,465,407,195	48,887,589,988
Comprehensive income					
Net income for the year	-	-	-	2,887,563,036	2,887,563,036
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,887,563,036	2,887,563,036
Transactions with stockholders					
Issuance of new shares	2,521,363,830	-	8,736,525,671	-	11,257,889,501
Share issuance costs	-	-	(47,954,832)	-	(47,954,832)
Cash dividends	-	-	-	(2,912,197,864)	(2,912,197,864)
Total transactions with stockholders	2,521,363,830	-	8,688,570,839	(2,912,197,864)	8,297,736,805
At December 31, 2022	18,283,771,630	(673,299,700)	20,021,645,532	22,440,772,367	60,072,889,829
Comprehensive income					
Net income for the year	-	-	-	5,030,544,039	5,030,544,039
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	5,030,544,039	5,030,544,039
Transactions with stockholders					
Issuance of new shares	6,075,593,800	-	16,404,103,260	-	22,479,697,060
Share issuance costs	-	-	(105,716,411)	-	(105,716,411)
Cash dividends	-	-	-	(4,067,577,708)	(4,067,577,708)
Total transactions with stockholders	6,075,593,800	-	16,298,386,849	(4,067,577,708)	18,306,402,941
At December 31, 2023	24,359,365,430	(673,299,700)	36,320,032,381	23,403,738,698	83,409,836,809

The notes on pages 1 to 42 are an integral part of these financial statements.

AREIT, Inc.

Statement of Cash Flows
For the year ended December 31, 2023
(With comparative figures for the years ended December 31, 2022 and 2021)
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
Cash flows from operating activities				
Income before income tax		5,031,610,964	2,887,687,498	2,433,315,506
Adjustments for:				
Net fair value change in investment properties	5	(99,254,883)	548,953,984	(164,502,279)
Depreciation	6,15	222,922	90,634	42,043
Interest expense and other charges		235,222,482	208,368,633	169,820,104
Gain under finance lease	16	-	-	(49,763,675)
Interest income from finance lease receivables	13	(450,832,306)	(222,321,826)	(188,547,234)
Interest income from cash in banks and intercompany loans	14	(133,829,672)	(34,332,442)	(7,208,646)
Operating income before working capital changes		4,583,139,507	3,388,446,481	2,193,155,819
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables		(834,379,771)	(340,416,374)	(683,376,821)
Other assets		64,510,953	120,810,161	(717,596,933)
Increase (decrease) in:				
Deposits and other liabilities		1,402,477,986	(66,409,250)	1,148,320,226
Accounts and other payables		961,192,923	534,464,897	15,789,571
Construction bonds		(2,892,023)	40,004,636	58,579,640
Cash generated from operations		6,174,049,575	3,676,900,551	2,014,871,502
Interest received		364,810,118	256,654,268	195,755,880
Income tax paid		(1,066,925)	(124,462)	(48,466)
Net cash flows from operating activities		6,537,792,768	3,933,430,357	2,210,578,916
Cash flows from investing activities				
(Increase) decrease in due from related parties		(1,734,904,000)	(181,203,951)	881,900,000
Additions to:				
Investment properties	5	(201,172,225)	(81,462,725)	(5,019,127,301)
Property and equipment	6	(677,751)	(379,550)	(339,706)
Net cash flows used in investing activities		(1,936,753,976)	(263,046,226)	(4,137,567,007)
Cash flows from financing activities				
Payments of:				
Short-term debt	8	(3,300,000,000)	(890,000,000)	(33,489,500,000)
Cash dividends	11	(4,067,577,708)	(2,912,197,864)	(1,733,359,375)
Share issuance cost	11	(105,716,411)	(47,954,832)	(35,877,520)
Interest portion of lease liabilities	16	(53,896,170)	(49,232,653)	(37,177,503)
Interest on short-term and long-term debts	15	(94,843,339)	(100,256,144)	(81,036,681)
Proceeds from:				
Short-term debt	8	3,000,000,000	300,000,000	34,379,500,000
Long-term debt		-	-	2,957,472,367
Net cash flows (used in) from financing activities		(4,622,033,628)	(3,699,641,493)	1,960,021,288
Net (decrease) increase in cash		(20,994,836)	(29,257,362)	33,033,197
Cash				
At January 1		62,753,382	92,010,744	58,977,547
At December 31	2	41,758,546	62,753,382	92,010,744

Non-cash investing and financing activities 23

The notes on pages 1 to 42 are an integral part of these financial statements.

AREIT, Inc.

Notes to the Financial Statements
As at and for the year ended December 31, 2023
(With comparative figures and notes as at December 31, 2022
and for the years ended December 31, 2022 and 2021)
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

1 General information

Corporate information

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

The Company was organized primarily to engage in the business, which includes the following: (1) to own, invest in, purchase, acquire, hold, possess, lease, construct, develop, alter, improve, operate, manage, administer, sell, assign, convey, encumber, in whole or in part, or otherwise deal in and dispose of, income-generating real estate, whether freehold or leasehold, within or outside the Philippines with or to such persons and entities and under such terms and conditions as may be permitted by law; (2) to invest in, purchase, acquire, own, hold, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real estate and managed funds; (3) to receive, collect and dispose of the rent, interest, dividends and income arising from its property and investments; and (4) to exercise, carry on or undertake such other powers, acts, activities and transactions as may be deemed necessary, convenient or incidental to or implied from the purposes herein mentioned. On April 12, 2019, the Company changed its name to AyalaLand REIT, Inc., and further amended its name to AREIT, Inc. on June 28, 2019.

As at December 31, 2023, the Company is publicly-listed, 43.33%-owned by Ayala Land, Inc. (ALI), 12.12%-owned by Ayalaland Malls, Inc. (ALMI), 4.07%-owned by Ayalaland Offices, Inc. (ALOI), 2.34%-owned by Northbeacon Commercial Corp. (NBCC), 2.62%-owned by Glensworth Development, Inc. (GDI), a wholly-owned subsidiary of ALOI, 1.58%-owned by Westview Commercial Ventures Corp. (WCVC), a wholly-owned subsidiary of ALI, and the rest by the public.

ALI’s parent is Ayala Corporation (AC). AC is 47.86%-owned by Mermac, Inc., and the rest by the public. Both ALI and AC are publicly-listed companies domiciled and incorporated in the Philippines.

The operational and administrative functions of the Company are handled by ALI before its listing. Beginning August 13, 2020, AREIT Fund Managers, Inc. and AREIT Property Managers, Inc. handle the fund manager functions and property management functions of the Company, respectively (Note 18).

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

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.

Registration as a REIT entity

The Company's common stock was listed in the PSE on August 13, 2020 as a REIT entity. As a REIT entity, the Company, provided it has complied with the requirements under the REIT Act, is entitled to the following:

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

Approval and authorization for issuance of the financial statements

These financial statements have been approved and authorized for issue by the Board of Directors (BOD) on February 19, 2024.

2 Cash

The account as at December 31 consists of:

	2023	2022
Cash on hand	232,500	72,500
Cash in banks	41,526,046	62,680,882
	41,758,546	62,753,382

Cash in banks earn interest at the prevailing bank deposit rates. Interest income earned for the years ended December 31, 2023, 2022 and 2021 are disclosed in Note 14.

There are no restrictions on the Company's cash balances as at December 31, 2023 and 2022.

3 Receivables

The account as at December 31 consists of:

	Notes	2023	2022
Finance lease receivables	16,18	8,970,700,468	3,221,146,005
Due from related parties	18	3,572,116,662	1,095,318,852
Trade receivables - billed		764,788,173	647,588,205
Other receivables		2,349,543	1,990,659
		13,309,954,846	4,966,043,721
Allowance for credit losses		(117,249,385)	(60,404,901)
		13,192,705,461	4,905,638,820
Less: Non-current portion of finance lease receivables		(8,055,590,803)	(2,986,455,069)
Current portion of receivables		5,137,114,658	1,919,183,751

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

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

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

	Note	2023	2022
At January 1		60,404,901	37,456,046
Provision for doubtful accounts	15	56,844,484	22,948,855
At December 31		117,249,385	60,404,901

There were no receivables pledged as collaterals as at December 31, 2023 and 2022.

4 Other assets

(a) Other current assets

The account as at December 31 consists of:

	2023	2022
Input VAT	163,381,035	141,061,071
Recoverable deposits	14,764,815	14,764,815
	178,145,850	155,825,886

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

As at December 31, 2023 and 2022, the amount of input VAT includes claim for refund amounting to P24.73 million, which is still awaiting approval from the BIR.

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

(b) Other non-current assets

The account as at December 31 consists of:

	2023	2022
Input VAT	1,173,692,852	1,044,601,418
Deferred input VAT	279,408,203	548,188,358
Creditable withholding taxes (CWT)	266,992,694	168,644,360
Advances to contractors	1,375,715	278,907
	1,721,469,464	1,761,713,043
Allowance for probable losses on CWT	(118,587,338)	(72,000,000)
	1,602,882,126	1,689,713,043

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

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

CWT represent the income tax amount withheld by the Company. These are recognized upon collection of the related income and utilized as tax credits against income tax due. The CWT can also be refunded subject to the approval of the BIR.

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

	Note	2023	2022
At January 1		72,000,000	33,000,000
Provision for probable losses	15	46,587,338	39,000,000
At December 31		118,587,338	72,000,000

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

5 Investment properties

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

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

	Note	2023	2022
At January 1		60,871,459,005	50,081,060,761
Additions		22,680,869,285	11,334,580,967
Properties under finance lease	16	(5,497,931,010)	-
Fair value adjustment		201,349,728	(544,182,723)
At December 31		78,255,747,008	60,871,459,005

Additions for the year ended December 31, 2023 include acquisition of new properties amounting to P22,680.87 million (2022 - P11,334.58 million), which is inclusive of capitalized local taxes amounting to P137.95 million (2022 - P19.84 million) and subsequent expenditures amounting to P63.22 million (2022 - P56.84 million).

On December 29, 2022, the SEC approved the property-for-share-swap via tax-free exchange transaction of the Company. These were acquired from ALI and involved six (6) commercial properties namely:

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

On September 20, 2023, the SEC approved the property-for-share-swap via tax-free exchange transaction of the Company. These were acquired from ALI, ALMI and NBCC and involved four (4) office buildings and two (2) mall buildings, namely:

- Glorietta 1 and 2 Mall Wings - A four (4)-storey commercial development with three (3) basement floors and equipment, redeveloped in 2013, located in Makati Commercial Center, San Lorenzo Village, Makati City with gross floor area of 68,763.84 sqm.
- Glorietta BPO 1 and BPO 2 - A seven (7)-storey and an eight (8)-storey PEZA-accredited office development and equipment located within Makati Commercial Center, San Lorenzo Village, Makati City, with GLA of 18,770 sqm and 21,256 sqm, respectively.

- One Ayala East Tower - A 23-level PEZA-accredited office development and equipment, located along Ayala corner Epifanio delos Santos (EDSA) Avenues, Brgy. San Lorenzo, Makati City, with GLA of 30,999.07 sqm.

- One Ayala West Tower - An 18-level PEZA-accredited office development and equipment, located along Ayala corner EDSA Avenues, Brgy. San Lorenzo, Makati City, with GLA of 39,996.00 sqm.

- Marquee Mall - A three (3)-level commercial development and equipment, located along Francisco G. Nepo Avenue, Angeles City, Pampanga with a gross floor area of 66,041.04 sqm.

On July 1, 2023, the Company entered into a lease agreement with ALMI, a wholly-owned subsidiary of ALI, for the Glorietta 1 & 2 Mall Wings that is payable on a quarterly guaranteed lease for a period of 25 years. The Company derecognized the portion of the property under finance lease (Note 16).

On July 1, 2023, the Company entered into a lease agreement with NBCC, a wholly-owned subsidiary of ALI, for the Marquee mall that is payable on a quarterly guaranteed lease for a period of 25 years. The Company derecognized the portion of the property under finance lease (Note 16).

As at December 31, 2023, the investment properties are composed of 14 stand-alone buildings, five mixed-used properties, nine condominium office units, and four land parcels as follows:

Name of properties	Details and location
Stand-alone buildings	
Solaris One	One (1) building in Makati City
McKinley Exchange	One (1) building in Makati City
Teleperformance Cebu	One (1) building in Cebu I.T. Park, Cebu City
eBloc Towers 1-4	Four (4) towers in Cebu I.T. Park, Cebu City
ACC Tower	One (1) tower in Ayala Center Cebu, Cebu Business Park, Cebu City
Tech Tower	One (1) tower in Sumilon cor. Camiguin Roads, Cebu City
Evotech One and Two	Two (2) office buildings in Laguna
Bacolod Capitol Corporate Center	One (1) building in Bacolod City, Negros Occidental
Ayala Northpoint Technohub	One (1) building in Bacolod City, Negros Occidental
Marquee Mall	One (1) mall building in Angeles City, Pampanga
Mixed-use properties	
Ayala North Exchange	Two (2) office towers and one (1) serviced apartment in Makati City
The 30th Commercial Development	One (1) office building and one (1) mall building in Pasig City
Vertis North Commercial Development	Three (3) office towers and one (1) mall building in Quezon City
One Ayala Development	Two (2) office towers in Makati, City
Glorietta 1&2	Two (2) office buildings and two (2) mall buildings in Makati, City
Condominium office units	
BPI-Philam Life Makati	Three (3) condominium office units located at the intersection of Ayala Avenue and Gil Puyat Avenue, Makati City
BPI-Philam Life Alabang	Six (6) condominium office units located at Madrigal Business Park, Alabang, Muntinlupa City
Land parcels	
Laguna Technopark	Four (4) land parcels in Laguna Technopark, Laguna

The Company presents its investment properties at fair value and changes on such are recognized in profit or loss. As at December 31, 2023 and 2022, the fair value of the investment properties was determined by an independent and professionally qualified appraiser engaged by management.

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. In 2022, the same valuation approach was used, except for the valuation of the land parcels at Laguna Technopark which was determined using the Market approach.

For the Income approach, the fair value is calculated taking into consideration significant inputs and assumptions such as the discount rate, growth rate and free cash flows. For the Market approach, the fair value is calculated based on the market prices of comparable assets that have been recently sold or those that are still available, adjusted for locational and physical factors.

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

The fair value of the Company's investment properties is categorized under Level 3 in the fair value hierarchy as at December 31, 2023 and 2022.

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

	2023	2022	2021
Fair value adjustment	201,349,728	(544,182,723)	200,139,056
Straight-line adjustment	(86,563,721)	17,813,632	(35,636,777)
Lease commissions	(15,531,124)	(22,584,893)	-
	99,254,883	(548,953,984)	164,502,279

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

	Notes	2023	2022	2021
Rental income	12	5,438,890,870	3,807,533,243	2,506,910,928
Dues	13	1,250,613,030	1,042,991,455	621,005,658
Direct operating expenses	15	1,978,492,974	1,359,803,642	815,866,427

There are no items of investment properties that are pledged as security to liabilities as at December 31, 2023 and 2022.

There are no contractual purchase commitments for investment properties as at December 31, 2023 and 2022.

6 Property and equipment, net

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

	Note	2023	2022
Cost			
At January 1		2,608,127	2,228,577
Additions		677,751	379,550
At December 31		3,285,878	2,608,127
Accumulated depreciation			
At January 1		2,009,496	1,918,862
Depreciation	15	222,922	90,634
At December 31		2,232,418	2,009,496
Net book value at December 31		1,053,460	598,631

There are no items of property and equipment that are pledged as security to liabilities as at December 31, 2023 and 2022.

There are no contractual purchase commitments for property and equipment as at December 31, 2023 and 2022.

7 Accounts and other payables

The account as at December 31 consists of:

	Notes	2023	2022
Due to related parties	18	1,387,841,859	756,623,441
Accounts payable		375,385,620	89,098,143
Taxes payable		202,773,416	90,768,937
Accrued expenses			
Light and water		53,654,236	41,848,381
Repairs and maintenance		50,708,775	14,040,220
Outside services		47,142,815	40,053,232
Professional fees		2,150,753	1,490,524
Rent		869,176	24,956,211
Others		4,545,906	2,114,846
Retention payable		2,464,208	3,188,012
Interest payable	8	-	898,625
		2,127,536,764	1,065,080,572

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

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

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

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

8 Short-term and long-term debts

(a) Short-term debt

As at December 31, 2023, the Company's short-term debt pertains to short-term loans payable with a local bank amounting to P3.00 billion (2022 - P300.00 million), which is unsecured, with a term of 32 days (2022 - 30 days) and with an interest rate of 5.60% (2022 - 5.50%) (Note 18).

(b) Long-term debt

The account as at December 31 consists of:

	2023	2022
Philippine Peso 2-year bonds due in 2023	-	3,000,000,000
Less: Unamortized transaction cost	-	22,306,070
Current portion of long-term debt	-	2,977,693,930

On December 28, 2021, the Company issued a total of P3.00 billion fixed bonds due 2023 at a rate equivalent to 3.0445% per annum. The bonds represent the first tranche of debt securities issued under the Company's P15.00 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 the 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 in 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. In 2023 and 2022, these restrictions and requirements were complied with by the Company. The bonds due in 2023 have been fully paid as at December 31, 2023.

Amortization of bond issue costs are included under Interest expense and other charges (Note 15).

Interest expense from short-term and long-term debts for the year ended December 31, 2023 are disclosed in Note 15, all of which are paid as at December 31, 2023 (2022 - P898,625 unpaid) (Note 7).

9 Deposits and other liabilities

The account as at December 31 consists of:

	2023	2022
Security deposits	1,667,515,061	1,044,320,392
Advance rentals	1,428,973,801	882,850,489
Deferred credits	325,927,028	57,988,921
	3,422,415,890	1,985,159,802
Less: Current portion of deposits and other liabilities	(649,210,862)	(527,675,373)
Deposits and other liabilities, net of current portion	2,773,205,028	1,457,484,429

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

	2023	2022
Security deposits	175,500,235	273,861,011
Advance rentals	322,412,270	235,450,965
Deferred credits	151,298,357	18,363,397
	649,210,862	527,675,373

(a) Security deposits

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

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

	Note	2023	2022
Gross amount			
At January 1		1,115,770,346	1,039,267,466
Additions		792,823,358	85,977,166
Refunds		(772,048)	(9,474,286)
At December 31		1,907,821,656	1,115,770,346
Unamortized discount			
At January 1		71,449,954	96,518,385
Additions		203,634,743	1,219,002
Accretion	15	(34,778,102)	(26,287,433)
At December 31		240,306,595	71,449,954
Net book value at December 31		1,667,515,061	1,044,320,392

(b) Advance rentals

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

(c) Deferred credits

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

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

	Note	2023	2022
At January 1		57,988,921	83,298,617
Additions		303,779,427	1,219,002
Amortization	12	(35,841,320)	(26,528,698)
At December 31		325,927,028	57,988,921
Less: Current portion		(151,298,357)	(18,363,397)
Non-current portion		174,628,671	39,625,524

10 Construction bonds

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

The carrying value of the Company's construction bonds amounts to P95.69 million as at December 31, 2023 (2022 - P98.58 million).

11 Equity

(a) Paid-up capital

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

	2023	2022
Authorized	4,050,000,000	2,950,000,000
Par value per share	10.00	10.00
Issued and outstanding shares	2,368,606,573	1,761,047,193

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

	2023	2022	2021
Authorized number of shares			
At January 1 (P10.00 par value)	2,950,000,000	2,950,000,000	1,174,000,000
Increase in authorized capital stock	1,100,000,000	-	1,776,000,000
At December 31	4,050,000,000	2,950,000,000	2,950,000,000
Issued shares			
At January 1	1,828,377,163	1,576,240,780	1,092,986,405
Issuance of new shares	607,559,380	252,136,383	483,254,375
At December 31	2,435,936,543	1,828,377,163	1,576,240,780
Treasury shares			
At January 1 and December 31	(67,329,970)	(67,329,970)	(67,329,970)
Outstanding shares at December 31	2,368,606,573	1,761,047,193	1,508,910,810

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 P10.00 per share and approved subscriptions of ALI, WCVC and GDI of shares in exchange for the identified properties for 483,254,375 common shares with an exchange price of P32.00 per share.

On March 10, 2022 and April 21, 2022, the Company's BOD and its stockholders, respectively, approved the issuance of 252,136,383 primary common shares of stock of the Company to ALI at an issue price of P44.65 per share in exchange for the identified properties. On December 29, 2022, the SEC approved the property-for-share swap transaction (Note 5).

On March 7, 2023 and April 26, 2023, the Company's BOD and its stockholders, respectively, approved the issuance of 607,559,380 primary common shares of stock of the Company to ALI, ALMI and NBCC at an issue price of P37.00 per share in exchange for the identified properties. On September 20, 2023, the SEC approved the increase in authorized capital stock of 1,100,000,000 common shares with a par value of P10.00 per share and the property-for-share swap transaction (Note 5).

(b) Additional paid-in capital (APIC)

In 2023, the Company recorded APIC amounting to P16,298.39 million (2022 - P8,688.57 million; 2021 - P10,547.39 million), net of transaction costs incidental to the property-for-share swap transaction that is directly attributable to the issuance of new shares for the year ended December 31, 2023 amounting to P105.72 million (2022 - P47.95 million; 2021 - P35.88 million).

(c) Cash dividends

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

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved	Payment date to stockholders
Q3 of 2023	November 16, 2023	December 1, 2023	P0.55	P1,302.73 million	December 15, 2023
Q2 of 2023	August 14, 2023	August 30, 2023	P0.53	P933.36 million	September 13, 2023
Q1 of 2023	May 17, 2023	May 31, 2023	P0.52	P915.74 million	June 16, 2023
Q4 of 2022	February 24, 2023	March 10, 2023	P0.52	P915.74 million	March 24, 2023

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

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved	Payment date to stockholders
Q3 of 2022	October 11, 2022	October 25, 2022	P0.49	P739.37 million	November 10, 2022
Q2 of 2022	August 12, 2022	August 26, 2022	P0.49	P739.37 million	September 09, 2022
Q1 of 2022	May 19, 2022	June 02, 2022	P0.48	P724.28 million	June 17, 2022
Q4 of 2021	February 24, 2022	March 11, 2022	P0.47	P709.19 million	March 25, 2022

The BOD approved the declaration of cash dividends amounting to P1.73 billion for the year ended December 31, 2021 as follows:

Applicable quarter	BOD approval date	Record date	Dividend per share	Cash dividends approved	Payment date to stockholders
Q3 of 2021	September 22, 2021	October 06, 2021	P0.44	P451.29 million	October 22, 2021
Q2 of 2021	August 12, 2021	August 26, 2021	P0.44	P451.29 million	September 10, 2021
Q1 of 2021	May 26, 2021	June 11, 2021	P0.42	P430.78 million	June 25, 2021
Q4 of 2020	February 24, 2021	March 15, 2021	P0.39	P400.01 million	March 25, 2021

12 Rental income

The account for the years ended December 31 consists of:

	Notes	2023	2022	2021
Office, retail and land	16	5,205,649,501	3,626,926,514	2,375,942,463
Parking fees	16	197,400,049	154,078,031	108,502,399
Amortization of deferred credits	9	35,841,320	26,528,698	22,466,066
		5,438,890,870	3,807,533,243	2,506,910,928

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 in 2021. 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.

13 Dues and interest income from finance lease receivables

(a) Dues

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

	2023	2022	2021
Dues:			
Common area charges	1,205,457,742	880,438,679	535,376,072
Utilities dues	45,155,288	162,552,776	85,629,586
	1,250,613,030	1,042,991,455	621,005,658

(b) Interest income from finance lease receivables

Interest income from finance lease receivables pertains to the accretion of finance lease receivables. Interest income from finance lease receivables for the year ended December 31, 2023 amounts to P450.83 million (2022 - P222.32 million; 2021 - P188.55 million).

14 Interest and other income

(a) Interest income

The account for the years ended December 31 consists of:

	Note	2023	2022	2021
Interest income from:				
Intercompany loans	18	128,495,045	33,710,130	6,966,317
Cash in banks		5,334,627	622,312	242,329
		133,829,672	34,332,442	7,208,646

(b) Other income

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

15 Costs and expenses and other charges

(a) Direct operating expenses

The account for the years ended December 31 consists of:

	Notes	2023	2022	2021
Management fees	18	540,444,364	398,075,418	267,294,759
Taxes and licenses		469,904,775	363,304,266	204,801,681
Land lease	16,18	421,589,053	262,034,140	168,962,930
Repairs and maintenance		272,531,593	165,399,042	83,328,757
Outside services		187,647,959	119,284,197	64,167,146
Insurance		26,645,482	14,357,866	9,617,107
Miscellaneous		17,536,284	10,524,065	5,643,292
Others		42,193,464	26,824,648	12,050,755
		1,978,492,974	1,359,803,642	815,866,427

(b) General and administrative expenses

The account for the years ended December 31 consists of:

	Notes	2023	2022	2021
Provision for doubtful accounts	3	56,844,484	22,948,855	22,532,287
Provision for probable losses on CWT	4	46,587,338	39,000,000	33,000,000
Systems cost		6,896,260	4,185,393	5,359,691
Taxes and licenses		5,723,217	3,008,543	31,437,964
Professional fees		4,250,112	4,603,471	4,461,905
Depreciation	6	222,922	90,634	42,043
Others		5,824,958	5,653,280	6,563,894
		126,349,291	79,490,176	103,397,784

(c) Interest expense and other charges

The account for the years ended December 31 consists of:

	Notes	2023	2022	2021
Interest expense from:				
Short-term and long-term debts		93,944,714	100,249,019	81,942,431
Lease liabilities	16	84,126,547	81,832,181	63,009,530
Accretion of security deposits	9	34,778,102	26,287,433	24,868,143
Other charges		24,120,847	22,875,033	15,639,633
		236,970,210	231,243,666	185,459,737

Other charges mainly pertain to amortization of bond issue costs.

16 Agreements and lease commitments

(a) The Company as lessor - operating lease

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

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

	2023	2022	2021
Within one year	5,238,667,800	2,854,784,345	2,258,171,359
After one year but not more than five (5) years	15,866,743,989	8,021,660,128	5,264,621,359
More than five years	3,617,758,018	335,045,027	418,483,308
	24,723,169,807	11,211,489,500	7,941,276,026

Total rental income for the year ended December 31, 2023 amounts to P5,438.89 million (2022 - P3,807.53 million; 2021 - P2,506.91 million) (Note 12). Rental income arising from variable rent based on gross sales for the year ended December 31, 2023 amounts to P1.30 million (2022 - P9.08 million; 2021 - P5.65 million).

In 2021, the Company granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to P48.07 million. 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. There were no rent concessions granted in 2023 and 2022.

(b) The Company as lessor - finance lease

On July 8, 2019, the Company entered into a building lease agreement with Makati North Hotel Ventures, Inc. (MNHVI) for a term of 39 years (Note 18). The agreement pertains to the lease of a portion, composed of 18 floors, stacked on top of the headquarters tower, of the 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.

On January 1, 2021, the Company entered into a building lease agreement with NECC for a term of 36 years (Note 18). 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 a building lease agreement with NECC for a term of 36 years (Note 18). 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.

On July 1, 2023, the Company entered into building lease agreements with ALMI and NBCC for a term of 25 years (Note 18). The agreement pertains to the lease of Glorietta 1 & 2 Malls and Marquee Mall buildings, respectively. The lease agreements state that the Company shall deliver to ALMI and NBCC the physical possession of the leased premises on July 1, 2023. The lease generally provides rates based on a fixed rent and shall be subject to an escalation rate of 2.5% per annum.

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

	2023	2022	2021
Within one year	915,109,665	234,690,936	236,172,830
After one year and not more than five (5) years	2,783,123,097	946,965,562	943,485,358
More than 5 years	19,286,270,607	7,465,937,702	8,465,334,764
Total undiscounted lease payments and unguaranteed residual value	22,984,503,369	8,647,594,200	9,644,992,952
Less: Unearned finance income	(14,013,802,901)	(5,426,448,195)	(6,359,172,530)
Net investment in the lease	8,970,700,468	3,221,146,005	3,285,820,422

The net investment in the lease with NECC consists of the present value of minimum lease payments amounting to P936.00 million. The Company derecognized the portion of investment property under finance lease amounting to P886.24 million, which resulted in a gain under finance lease amounting P49.76 million in 2021.

The net investment in the leases with ALMI and NBCC consists of the present value of minimum lease payments amounting to P3,448.78 million and P2,049.15 million, respectively. The Company derecognized the portion of investment property under finance lease amounting to P5,497.93 million in 2023 (Note 5). No gain on finance lease was recognized as a result of the transaction.

The Company remains to be the legal owner of the portion of the ANE building, retail podium of The 30th, Vertis North Commercial Development Mall, Glorietta 1 & 2 Malls, and Marquee Mall under finance lease.

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

On January 1, 2016, the Company entered into a land lease agreement with ALI for a period of 50 years (Note 18). The agreement pertains to land lease of Solaris building. The lease generally provides for a monthly rent based on a certain percentage of gross rental income. On April 26, 2019, the lease agreement was amended reducing the lease term from 50 years to 33 years.

Effective 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 rental income.

Effective 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 rental income.

Effective January 15, 2021, ALI assigned to the Company its 40-year land lease agreement with MBS Development Corporation (MBS). The agreement pertains to land lease wherein The 30th properties are located. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

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 Towers 1-3 and Mall building are located. The lease generally provides for a monthly rent based on a certain percentage of gross rental 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 rental income.

On July 7, 2022, the Company entered into a contract of lease with ALI for the lease of land commencing on October 1, 2022 for a 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 rental income.

On July 1, 2023, the Company entered into a contract of lease with ALI for the lease of land for a period of 36 years. The agreement pertains to land lease of Glorietta 1 and 2 offices and mall. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

On July 1, 2023, the Company entered into a contract of lease with ALI for the lease of land for a period of 41.5 years. The agreement pertains to land lease of One Ayala East and West towers. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

On July 1, 2023, the Company entered into a contract of lease with NBCC for the lease of land for a period of 36 years. The agreement pertains to land lease of Marquee mall. The lease generally provides for a monthly rent based on a certain percentage of gross rental income.

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

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

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, subject to an escalation rate of five percent (5%) per annum.

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, WCVC 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 of ten percent (10%) every five (5) years.

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

	Note	2023	2022
Balance at beginning the year		1,186,580,358	1,153,980,830
Interest expense	15	84,126,547	81,832,181
Payment		(53,896,170)	(49,232,653)
Balance at the end of the year		1,216,810,735	1,186,580,358
Less: Current portion of lease liabilities		(54,204,832)	(50,290,868)
Lease liabilities, net of current portion		1,162,605,903	1,136,289,490

The right-of-use assets are included as part of investment properties and amounts to P999.56 million as at December 31, 2023 (2022 - P1,030.42 million).

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

	Note	2023	2022	2021
Variable lease payments not included in the measurement of lease liabilities	15	421,589,053	262,034,140	168,962,930
Payments of lease liabilities				
Principal portion		-	-	-
Interest portion		53,896,170	49,232,653	37,177,503
Total cash outflows		475,485,223	311,266,793	206,140,433

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

	Note	2023	2022	2021
Rent expense - variable lease payments	15	421,589,053	262,034,140	168,962,930
Interest expense from lease liabilities	15	84,126,547	81,832,181	63,009,530
Total amounts recognized in the statement of total comprehensive income		505,715,600	343,866,321	231,972,460

17 Income tax

The account for the years ended December 31 consists of:

	2023	2022	2021
Final	1,066,925	124,462	48,466
Current	-	-	-
Deferred	-	-	-
	1,066,925	124,462	48,466

Prior to the Company's listing date on August 13, 2020, the Company recognized provision for current income tax. The Company started to avail of its tax incentive as a REIT entity after its listing. In 2023, the Company availed of the itemized deduction (2022 - itemized deduction; 2021 - optional standard deduction (OSD)).

As at December 31, 2023 and 2022, deferred tax assets and liabilities are recognized based on the effective income tax rate of 0% under the REIT Act.

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

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2023	890,518,286	-	890,518,286	2026
2022	340,120,747	-	340,120,747	2025
2021	688,819,663	-	688,819,663	2026
2020	481,283,017	-	481,283,017	2025
	2,400,741,713	-	2,400,741,713	

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

	2023	2022	2021
Statutory income tax rate	25.00	25.00	25.00
Add (deduct) tax effect of:			
Non-deductible expenses	5.77	1.17	18.59
Non-taxable income	(13.07)	(0.37)	(0.93)
Deductible dividends	(17.70)	(25.80)	(34.60)
Deductible expenses (OSD)	-	-	(8.06)
Effective income tax rate	0.00	0.00	0.00

18 Related party transactions

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

Terms and conditions of transactions with related parties

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

Material related party transactions (RPT)

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

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

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

	2023		2022		
	Transactions	Outstanding balances	Transactions	Outstanding balances	Terms and conditions
Finance lease receivables					
Ayalaland Malls, Inc. (p)	3,587,914,769	3,587,914,769	-	-	Balances are due quarterly. These are non-interest bearing and secured with the related investment properties (Note 5).
Makati North Hotel Ventures, Inc. (i)	(14,459,018)	2,244,148,705	149,232,107	2,258,607,723	
Northbeacon Commercial Corp. (q)	2,056,607,567	2,056,607,567	-	-	
North Eastern Commercial Corp. (j)	119,491,145	1,082,029,427	73,089,719	962,538,282	Balances are due annually. These are non-interest bearing and secured with the related investment properties (Note 5).
		8,970,700,468		3,221,146,005	
Due from related parties					
Parent Company					
Ayala Land, Inc. (a and b)	316,689,885	439,653,075	207,180,633	122,963,190	Balances are due and demandable. These are interest and non-interest bearing, and unsecured. No impairment is recognized.
Affiliates					
Accendo Commercial Corp (b)	125,591,286	126,166,536	37,541,582	575,250	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Airswift Transport, Inc. (b)	(537,729)	18,505,935	16,579,024	19,043,664	
Ayalaland Malls, Inc. (b)	341,833,694	370,772,258	17,859,806	28,938,564	
Alveo Land Corporation (g)	(6,370,575)	1,569,123	6,183,724	7,939,698	
Solinea Inc. (b)	107,133,958	145,154,081	38,020,123	38,020,123	
Portico Land Corp. (b)	179,973,473	179,973,473	-	-	
Amaia Land Corporation (b)	111,967,333	115,069,673	81,017,219	3,102,340	
HLC Development Corporation (b and c)	11,196,642	29,270,387	14,305,731	18,073,745	
Arvo Commercial Corporation (b)	83,928,294	123,131,684	30,435,139	39,203,390	
Avida Land Corporation (b)	424,834	1,470,015	1,045,181	1,045,181	
Amicassa Process Solutions, Inc (b)	99,334	99,334	-	-	
Ayala Malls Zing Inc. (b)	31,449,075	31,449,075	-	-	
Ayala Property Management Corporation (f)	(753,044)	1,759,240	1,590,415	2,512,284	
Ayalaland Estates, Inc. (b)	(65,033,488)	660,991	65,694,479	65,694,479	
Greenhaven Property Venture, Inc. (b)	1,611,532	1,611,532	-	-	
ALI Triangle Hotel Ventures, Inc. (b)	85,522,230	88,452,186	1,268,950	2,929,956	
Bonifacio Hotel Ventures, Inc. (b)	131,608	131,608	-	-	
North Triangle Hotel Ventures, Inc. (b)	-	1,678,317	1,678,317	1,678,317	
Southcrest Hotel Ventures, Inc. (b)	10,145,188	10,145,188	-	-	
Ecosouth Hotel Ventures Inc. (b)	41,384,959	41,384,959	-	-	
Econorth Resorts Ventures, Inc. (b)	-	119,225	-	119,225	
Arcasouth Hotel Ventures, Inc. (b)	64,750,001	64,750,001	-	-	
Circuit Makati Hotel Ventures, Inc. (b)	47,485,686	47,547,265	-	61,579	
Sicogon Town Hotel, Inc. (b)	35,468	35,468	-	-	
ALI Makati Hotel Property, Inc. (b)	1,069,586	2,073,660	-	1,004,074	
Sicogon Island Tourism Estate Corp. (b)	197,871,111	219,550,929	21,679,818	21,679,818	
Makati North Hotel Ventures, Inc. (i)	4,523,578	14,637,750	10,114,172	10,114,172	
Ayalaland Logistics Holdings Corp. (b)	76,845,511	82,532,717	-	5,687,206	

(forward)

	2023		2022		
	Transactions	Outstanding balances	Transactions	Outstanding balances	Terms and conditions
Laguna Technopark Inc. (b)	68,398,657	117,658,096	48,850,961	49,259,439	Balances are due and demandable. These are interest-bearing and non-interest bearing, and unsecured. No impairment is recognized.
Ecozone Power Management, Inc. (b)	142,555,944	143,161,461	605,517	605,517	
LCI Commercial Ventures Inc. (b)	77,198,822	115,366,743	38,167,921	38,167,921	
Unity Realty & Development Corporation (b)	4,003,381	4,003,381	-	-	
Ayalaland Malls Synergies, Inc. (b)	(253,666)	2,210,825	-	2,464,491	
Ayalaland Premier, Inc. (b)	5,889,111	5,889,111	-	-	
Bay City Commercial Ventures Corp. (b)	(304,452,509)	38,153,312	11,537,176	342,605,821	
BellaVita Land Corp. (b)	-	39,830	-	39,830	
Cagayan De Oro Gateway Corporation (b)	-	537,083	-	537,083	
Capitol Central Commercial Ventures Corp. (b)	(90,689,353)	118,504,569	204,830,304	209,193,922	
Cavite Commercial Towncenter Inc. (b)	194,329,616	234,417,978	39,430,400	40,088,362	
Crans Montana Property Holdings Corporation (b)	24,253,235	25,500,191	-	1,246,956	
Crimson Field Enterprises, Inc. (b)	23,250,125	23,250,125	-	-	
Leisure and Allied Industries Phils. Inc. (b)	15,499,531	15,499,531	-	-	
Makati Cornerstone Leasing Corp. (b)	60,187	65,108	4,921	4,921	
North Eastern Commercial Corp. (j)	4,528,051	17,293,755	12,765,704	12,765,704	
North Triangle Depot Commercial Corp (b)	134,310,795	135,529,739	1,217,959	1,218,944	
Nuevocentro, Inc. (b)	3,575,183	3,575,183	-	-	
Primavera Towncentre, Inc. (b)	26,215,667	26,215,667	-	-	
Soltea Commercial Corp. (b)	4,895,765	5,203,430	2,860,101	307,665	
Sunnyfield E-Office Corp	-	150	-	150	
Ten Knots Development Corporation (b)	19,358,775	19,358,775	-	-	
Ten Knots Philippines, Inc. (b)	200,664,475	201,828,407	1,163,932	1,163,932	
Lio Resort Ventures Inc (b)	65,565	65,565	-	-	
Westview Commercial Ventures Corp. (b)	122,326	2,080,392	7,880,784	1,958,066	
Cebu District Property Enterprise, Inc. (b)	136,424,297	137,085,193	-	660,896	
Central Block Developers, Inc. (b)	(3,700)	-	-	3,700	
Arca South Commercial Ventures Corp. (b)	(2,250,258)	-	-	2,250,258	
Direct Power Services, Inc. (b)	(6,351)	-	6,351	6,351	
Cebu Holdings, Inc. (b)	(38,382)	-	-	38,382	
		3,112,196,210		972,011,376	
AC and other related parties					Balances are due and demandable. These are non-interest-bearing and unsecured. No impairment is recognized.
Bank of the Philippine Islands and subsidiaries	11,773,348	11,773,348	-	-	
BPI/MS Insurance Corporation	7,655,094	7,655,094	-	-	
Globe Telecom Inc.	494,649	838,935	344,286	344,286	
		20,267,377	344,286	344,286	
Total		3,572,116,662		1,095,318,852	
Due to related parties					
Parent Company					
Ayala Land, Inc. (a and b)	233,215,816	394,088,299	104,131,995	160,872,483	Balances are due and demandable. These are non-interest bearing and unsecured.
Affiliates					
AyalaLand Malls, Inc. (p)	94,738,798	94,738,798	-	-	Balances are due and demandable. These are non-interest bearing and unsecured.
ALO Prime Realty Corporation (n)	543,808	543,808	-	-	
Alveo Land Corporation (g)	22,177	22,177	-	-	
HLC Development Corporation (c)	(2,815,127)	16,378,260	19,193,387	19,193,387	
Aprisa Business Process Solutions, Inc (r)	1,569,061	1,569,061	-	-	
Ayala Hotels Inc.	3,772	3,772	-	-	
Ayala Property Management Corporation (f)	25,219,611	49,286,451	78,656,951	24,066,840	
AREIT Fund Manager, Inc. (l)	(1,442,647)	97,739,582	82,291,272	99,182,229	
Ayalaland Metro North, Inc.	808	808	-	-	
First Gateway Real Estate Corp	73,767	73,767	-	-	
Glensworth Development, Inc.	-	4,136,323	4,136,323	4,136,323	
Ayalaland Offices, Inc. (h)	(80,000)	4,085,217	-	4,165,217	
Ayalaland Premier, Inc.	465	465	-	-	
CECI Realty Corp. (o)	2,082,910	27,441,987	91,227,749	25,359,077	
Direct Power Services Inc. (d)	(2,947,280)	65,158,643	184,939,775	68,105,923	
Makati Development Corporation (e)	-	2,019,459	-	2,019,459	
AREIT Property Managers, Inc. (m)	192,572,477	463,880,775	138,926,224	271,308,298	
North Eastern Commercial Corp. (j)	74,660,867	138,709,562	64,048,695	64,048,695	
Philippine Integrated Energy Solutions, Inc.	14,643,081	14,643,081	-	-	
NorthBeacon Commercial Corporation (q)	4,968,928	4,968,928	-	-	
Others*	(1,938,023)	-	1,938,023	1,938,023	
		985,400,924		583,523,471	
AC and other related parties					
Manila Water Company Inc	(4,376,837)	4,121,543	8,498,380	8,498,380	Balances are due and demandable. These are non-interest bearing and unsecured.
Manila Water Philippine Ventures, Inc.	307,095	4,036,202	3,729,107	3,729,107	
Innove Communications	155,221	155,221	-	-	
Globe Telecom Inc.	29,570	29,570	-	-	
BPI Capital Corporation	10,100	10,100	-	-	
		8,352,636		12,227,487	
Total		1,387,841,859		756,623,441	

** Entities with outstanding balances below P2.00 million*

The following describes the nature of the material transactions of the Company with related parties:

(a) The Company entered into contracts of lease with ALI to occupy parcels of land where the Solaris, Teleperformance Cebu, Bacolod Ayala Northpoint, Vertis Offices, eBloc Towers 1 to 4, ACC Tower and Tech Tower buildings, One Ayala Office towers, and Glorietta 1 & 2 BPO are located.

The Company recognized land lease expenses under Direct operating expenses for the year ended December 31, 2023 in the statement of total comprehensive income amounting to P309.80 million (2022 - P156.09 million; 2021 - P65.72 million).

On January 31, 2020, the Company entered into a contract of lease with ALI wherein ALI assigned, transferred and 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.

As at December 31, 2023, the outstanding payables amounting to P246.08 million (2022 - P26.35 million) pertain to operating expenses paid by ALI on behalf of AREIT properties.

(b) In 2023, the Company provides interest-bearing loans to related parties which are subject to monthly repricing and maturing in one month with interest ranging from 5.59% to 6.95% (2022 - 1.74% to 5.28%; 2021 - 2.00% to 3.75%) per annum.

The Company recognized interest income for the year ended December 31, 2023 amounting to P128.50 million (2022 - P33.71 million; 2021 - P6.97 million) (Note 14). Documentary stamp taxes are 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 leases under Direct operating expenses for the year ended December 31, 2023 in the statement of total comprehensive income amounting to P71.98 million (2022 - P75.62 million; 2021 - P74.02 million).

(d) Direct Power Services, Inc., a subsidiary of ALI, provides energy distribution service to the Company. Energy distribution expense incurred for the year ended December 31, 2023 amounted to P460.42 million (2022 - P390.40 million; 2021 - P130.06 million), of which the remaining payable as at December 31, 2023 amounts to P65.16 million (2022 - P68.11 million).

(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 P2.02 million as at December 31, 2023 and 2022.

(f) Ayala Property Management Corporation, a subsidiary of ALI, handles the facilities management of the Company. The Company recognized management fees for the year ended December 31, 2023 amounting to P88.99 million (2022 - P32.66 million; 2021 - P28.18 million) (Note 15).

(g) Alveo Land Corp., a subsidiary of ALI, is a lessee of the Company. The Company recognized rental income for the year ended December 31, 2023 in the statement of total comprehensive income amounting to P5.27 million (2022 - P5.05 million; 2021 - P4.62 million), of which the remaining receivable as at December 31, 2023 amounts to P1.57 million (2022 - P7.94 million).

(h) The Company’s intercompany payable to ALOI pertains to outstanding balance of accounting shared services billed on behalf of the Company amounting to P4.08 million as at December 31, 2023 (2022 - P4.16 million).

(i) This pertains to the receivable arising from lease agreement with MNHVI (Note 16).

As at December 31, 2023, the Company's outstanding balance related to finance lease amounts to P2,244.15 million (2022 - P2,258.61 million) (Note 16). This includes interest income accretion for the year ended December 31, 2023 amounting to P148.16 million (2022 - P149.23 million, 2021 - 151.39 million) (Note 13).

The Company also recognized receivable as at December 31, 2023 amounting to P14.64 million pertaining to payment for land lease on behalf of MNHVI (2022 - P10.11 million).

(j) This pertains to the receivable arising from lease agreement with NECC (Note 16).

As at December 31, 2023, the Company's outstanding balance related to finance lease amounts to P1,082.03 million (2022 - P962.54 million) (Note 16). This includes interest income accretion for the year ended December 31, 2023 amounting to P73.26 million (2022 - P73.09 million; 2021 - P37.16 million) (Note 13).

NECC, is also a lessee of the Company for a space in The 30th Corporate Center and Vertis North Corporate Center 1. The Company recognized rental income for the year ended December 31, 2023 in the statement of total comprehensive income amounting to P7.12 million (2022 - P2.11 million; 2021 - P7.73 million).

As at December 31, 2023, the outstanding payables amounting to P138.71 million (2022 - P64.05 million) 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 the outstanding balance of water consumption incurred by the Company amounting to P4.12 million as at December 31, 2023 (2022 - P8.50 million).

The Company recognized utility services in “Utilities” under “Dues” for the year ended December 31, 2023 in the statement of total comprehensive income amounting to P71.16 million (2022 - P38.21 million; 2021 - P26.58 million).

(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 for the year ended December 31, 2023 amounting to P261.27 million (2022 - P198.52 million; 2021 - P135.33 million) (Note 15).

(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 for the year ended December 31, 2023 amounting to P190.18 million (2022 - P166.90 million; 2021 - P103.78 million) (Note 15).

(n) The Company's payable to ALO Prime Realty Corp. (APRC), a subsidiary of ALI, amounting to P0.54 million pertains to over-remittance of security deposits from TP Cebu tenants as at December 31, 2023 (2022 - nil).

(o) The Company's payable to Ceci Realty Corp. (CECI), a subsidiary of ALI, amounting to P27.44 million as at December 31, 2023 (2022 - P25.36 million) pertains to electricity of Evotech building.

(p) This pertains to the receivable arising from lease agreement with ALMI (Note 16).

As at December 31, 2023, the Company's outstanding balance related to finance lease amounts to P3,587.91 million (2022 - nil) (Note 16). This includes interest income accretion for the year ended December 31, 2023 amounting to P139.14 million (2022 and 2021 - nil) (Note 13).

As at December 31, 2023, the outstanding payables amounting to P94.74 million pertains to operating expenses paid by ALMI on behalf of AREIT for One Ayala office towers (2022 - nil).

(q) This pertains to the receivable arising from lease agreement with NBCC (Note 16).

As at December 31, 2023, the Company's outstanding balance related to finance lease amounts to P2,056.61 million (2022 - nil) (Note 16). This includes interest income accretion for the year ended December 31, 2023 amounting to P90.27 million (2022 and 2021 - nil) (Note 13).

As at December 31, 2023, the outstanding payables amounting to P4.97 million pertains to lease of land where Marquee Mall is located (2022 - nil).

(r) This payable amounting to P1.57 million as at December 31, 2023 pertains to accounting services rendered by Aprisa to the Company (2022 - nil).

Cash in bank

The Company has cash in bank balance with the Bank of the Philippine Islands (BPI), an associate of AC, amounting to P16.92 million as at December 31, 2023 (2022 - P45.46 million). Interest income earned from these deposits for the year ended December 31, 2023 amounted to P0.37 million (2022 - P0.14 million; 2021 - P0.11 million).

Short-term debt

The Company has an outstanding short-term debt payable to BPI amounting to P3.00 billion as at December 31, 2023 (2022 - nil). Interest expense from short-term debt payable to BPI for the year ended December 31, 2023 amounted to P1.38 million (2022 - P1.56 million; 2021 - P23.01 million).

Compensation of key management personnel

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

19 Critical accounting estimates and judgments

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

19.1 Critical judgments

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

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

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

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

Determination of whether the Company is acting as a principal or an agent

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

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

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

Operating lease commitments - the Company as lessor

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 building, the Vertis Mall, Glorietta Mall 1 and 2 Wings, and the Marquee 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 as (a) the building is considered a single identifiable asset and (b) substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset. See Note 5 for details of the acquired properties in 2023 and 2022 from various parties.

19.2 Critical estimates and assumptions

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

Provision for expected credit losses (ECL) of trade receivables

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

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

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

As at December 31, 2023, the carrying value of the Company’s receivables amounts to P13,192.70 million (2022 - P4,905.64 million), net of allowance for credit losses amounting to P117.25 million (2022 - P60.40 million) (Note 3).

Evaluating impairment of non-financial assets carried at cost

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

As at December 31, 2023 and 2022, management believes that it will be able to generate future transactions against which the input VAT can be utilized or in worst case scenario, file a claim for refund from tax authorities subject to potential tax audits where management can sustain the positions taken in their tax returns.

As at December 31, 2023, the Company’s allowance for probable losses on CWT amounts to P118.59 million (2022 - P72.00 million) (Note 4).

The carrying values of the Company's non-financial assets as at December 31 follow:

	Note	2023	2022
Input VAT	4	1,337,073,887	1,185,662,489
Deferred input VAT	4	279,408,203	548,188,358
CWT, net	4	148,405,356	96,644,360
		1,764,887,446	1,830,495,207

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 rent, expected future market rentals, capital expenditure requirements, and discount rates that reflect current market conditions and current or recent property investment prices. The property valuations have been prepared based on the best available information.

As at December 31, 2023, the fair value of investment properties amounts to P78,255.75 million (2022 - P60,871.46 million) (Note 5). Net fair value change in investment properties recognized in the statement of total comprehensive income amounts to an increase of P99.25 million for the year ended December 31, 2023 (2022 - decrease of P548.95 million; 2021 - increase of P164.50 million) (Note 5).

20 Financial risk and capital management

20.1 Financial risk management

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

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

Exposure to market, credit, and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management follow:
- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

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

20.1.1 Market risk

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

Foreign currency risk

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

Interest rate risk

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

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

Price risk

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

20.1.2 Credit risk

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

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

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

	2023			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	41,526,046	-	41,526,046	-
Receivables				
Finance lease receivables	8,970,700,468	8,970,700,468	-	8,970,700,468
Due from related parties	3,572,116,662		3,572,116,662	-
Trade receivables	764,788,173	1,580,476,636	-	764,788,173
Other receivables	2,349,543	-	2,349,543	-
Recoverable deposits	14,764,815	-	14,764,815	-
	13,366,245,707	10,551,177,104	3,630,757,066	9,735,488,641

	2022			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Cash in banks	62,680,882	-	62,680,882	-
Receivables				
Finance lease receivables	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	-
	5,043,489,418	4,022,772,364	1,174,755,208	3,868,734,210

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

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

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		<30 days	31-60 days	61-90 days	>90 Days		
2022							
Finance lease receivables	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	647,588,205
Total	4,122,516,848	515,343,678	47,376,894	88,273,308	130,137,433	60,404,901	4,964,053,062

(a) Trade receivables

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

As at December 31, 2023, the allowance for credit losses of trade receivables amounts to P117.25 million (2022 - P60.40 million) (Note 3).

(b) Cash in banks

As at December 31, 2023 and 2022, the ECL relating to cash in banks is minimal as these are considered as low credit risk.

(c) Finance lease receivables

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

As at December 31, 2023 and 2022, the ECL related to the Company's finance lease receivables is minimal given that the receivable is fully covered by the value of the underlying asset (as title to the asset is not transferred to the lessee) in the event of default by the counterparty, and the counterparties are generally of good credit standing.

(d) Due from related parties

As at December 31, 2023 and 2022, the Company did not provide any allowance relating to due from related parties since there is no history of default payments. This assessment is undertaken each financial year through examination of the financial position of the related parties and the markets in which the related parties operate.

20.1.3 Liquidity risk

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

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

The Company's cash is maintained at a level that will enable it to fund its operations as well as to have additional funds as buffer for any opportunities or emergencies that may arise. To manage the Company's liquidity, credit line facilities with designated local banks, as approved by the Board of Directors, were obtained. The Company's available credit line with various local banks as at December 31, 2023 is P23.00 billion (2022 - P19.00 billion). The Company may also refinance its loans and manage payment terms for its payables.

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

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

** Net of allowance for ECL*

	2022			
	< 1 year	1 to 5 years	> 5 years	Total
Financial assets				
Cash in banks	62,680,882	-	-	62,680,882
Receivables				
Finance lease receivables	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
	1,994,638,789	946,965,562	7,465,937,702	10,407,542,053
Financial liabilities				
Accounts and other payables				
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 liabilities	50,290,868	174,272,079	4,181,960,759	4,406,523,706
Construction bonds	98,584,276	-	-	98,584,276
	4,907,139,211	622,235,016	4,294,365,782	9,823,740,009
Net liquidity (gap) position	(2,912,500,422)	324,730,546	3,171,571,920	583,802,044

** Net of allowance for ECL*

20.2 Capital risk management

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

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

	2023	2022
Paid-up capital	24,359,365,430	18,283,771,630
Treasury shares	(673,299,700)	(673,299,700)
Additional paid-in capital	36,320,032,381	20,021,645,532
Retained earnings	23,403,738,698	22,440,772,367
	83,409,836,809	60,072,889,829

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

Loan covenants

The Company is subject to externally imposed capital requirements from its debt covenants (Note 8) and the requirement of the REIT Act section 8.10, *Aggregate Leverage Limit*. In 2023 and 2022, the Company is compliant with its debt covenants and requirements of the REIT Act.

20.3 Fair value measurement

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

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Finance lease receivables	8,970,700,468	10,470,115,115	2,986,455,069	2,981,530,484
Lease liabilities	1,216,810,735	1,415,307,693	1,136,289,490	1,106,028,172
Security deposits	1,667,515,060	1,580,476,636	1,044,320,392	958,142,795

As at December 31, 2023 and 2022, the Company has no financial instrument measured at fair value.

In 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement. The carrying values of the other financial instruments of the Company as at December 31, 2023 and 2022 approximate their fair values due to the short-term nature of the transactions.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy as at December 31, 2023 and 2022 are shown below:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Investment properties	DCF Method	Discount rate	2023: 9.51% 2022: 9.76%	Increase (decrease) in the discount rate would decrease (increase) the fair value
Finance lease receivables	DCF Method	Discount rate	2023: 5.20% - 6.12% 2022: 8.41% - 8.66%	Increase (decrease) in the discount rate would decrease (increase) the fair value
Security deposits	DCF Method	Discount rate	2023: 0.85% - 6.03% 2022: 1.18% - 4.63%	Increase (decrease) in the discount rate would decrease (increase) the fair value
Lease liabilities	DCF Method	Discount rate	2023: 5.12% - 6.12% 2022: 8.20% - 9.24%	Increase (decrease) in the discount rate would decrease (increase) the fair value

** DCF - Discounted cash flows*

21 Basic and diluted earnings per share

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

	2023	2022	2021
Net income	5,030,544,039	2,887,563,036	2,433,267,040
Weighted average number of common shares	1,932,495,456	1,510,292,379	1,479,405,605
Basic and diluted earnings per share	2.60	1.91	1.64

The Company also assessed that there were no potential dilutive common shares in 2023, 2022 and 2021.

22 Segment reporting

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

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

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

Distributable Income under the IRR of REIT Act of 2009

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

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

	2023	2022	2021
Net income	5,030,544,039	2,887,563,036	2,433,267,040
Unrealized gain:			
Unrealized (gain) loss on fair value change in investment properties	(99,254,883)	548,953,984	(164,502,279)
Gain on finance lease	-	-	(49,763,675)
Impact on DTL of fair value accounting	-	-	-
Impact on DTL of listing as a REIT entity	-	-	-
Distributable income	4,931,289,156	3,436,517,020	2,219,001,086

23 Notes to statement of cash flows

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

For the year ended December 31, 2023

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

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

For the year ended December 31, 2022

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

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

For the year ended December 31, 2021

	January 1, 2021	Cash flows	Other changes	December 31, 2021
Short-term debt	-	890,000,000	-	890,000,000
Lease liabilities (a and b)	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 (b)	-	(81,036,681)	81,942,431	905,750
Total liabilities from financing activities	871,843,943	3,729,258,183	401,256,821	5,002,358,947

Other changes pertain to:
(a) Initial recognition of lease liabilities
(b) Interest expense

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

Operating

- Interest expense arising from the accretion of security deposits amounting to P34.78 million for the year ended December 31, 2023 (2022 - P26.29 million; 2021 - P24.87 million) (Notes 9 and 15).

- Non-cash movement in “Receivables” and “Investment properties” arising from the finance lease agreements with ALMI and NBCC amounting to the same amount of P5,497.93 million in 2023 (2022 - nil; 2021 - NECC amounting to P936.00 million and P886.24 million movement, respectively) (Note 16).

Investing

- Recognition of right-of-use assets recorded under investment properties and lease liabilities in 2021 amounting to P256.30 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 P22,479.70 million related to the property-for-share swap agreement for the year ended December 31, 2023 (2022 - P11,257.89 million; 2021 - P15,415.81 million) (Notes 5 and 16).

- Increase in fair value of investment properties, gross of lease commissions and straight-line adjustment, amounted to P201.35 million for the year ended December 31, 2023 (2022 - decrease of P544.18 million; 2021 - increase of P200.14 million) (Note 5).

24 Events after the end of the reporting period

On January 17, 2024, the Company executed a Deed of Absolute Sale with Econorth Resort Ventures, Inc., a wholly-owned subsidiary of ALI, for the acquisition of Seda Lio amounting to P1,192.00 million.

On February 12, 2024, the stockholders of the Company, at its special stockholders’ meeting, approved the issuance of 841,259,412 primary common shares to ALI, its subsidiaries, Greenhaven Property Ventures, Inc. (Greenhaven) and Cebu Insular Hotel Co., Inc. (Cebu Insular), and Buendia Christiana Holdings Corp. (BCHC), a wholly-owned subsidiary of ACEN Corporation, in exchange for identified properties owned by ALI, Greenhaven, Cebu Insular, and BCHC valued at P28,602.82 million under a property-for-share swap at an issue price of P34.00 per share.

On February 19, 2024, the Board of Directors of the Company, at its regular meeting, approved the declaration of cash dividends of P0.55 per outstanding common share for the fourth quarter of 2023. The cash dividends amounting to P1,302.73 million will be payable on March 20, 2024 to stockholders on record as at March 4, 2024.

25 Summary of material accounting policies

25.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with PFRSs. The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PASs), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

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

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

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

Functional and presentation currency

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

25.2 Adoption of amended accounting standards and interpretation

(a) Amendments to existing standards adopted by the Company effective January 1, 2023

The following amendments to existing standards have been adopted by the Company effective January 1, 2023:

- Amendments to PAS 1, '*Presentation of Financial Statements'*, and PFRS Practice Statement 2, '*Making Materiality Judgments'*

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  To support this amendment, PFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The adoption of these amendments resulted in changes in the accounting policies disclosed by the Company.

- Amendments to PAS 8, '*Accounting Policies, Changes in Accounting Estimates and Errors'*

  The amendment to PAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12, '*Income Taxes'*

  The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

  The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in the opening balance of retained earnings, or another component of equity, as appropriate.

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

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

The following amendments to existing standards are not mandatory for December 31, 2023 reporting period and have not been early adopted by the Company:

- Amendments to PAS 1, '*Presentation of Financial Statements'*

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

  Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

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

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

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

  The amendments must be applied retrospectively in accordance with the normal requirements in PAS 8. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

- Amendments to PFRS 16, '*Leases'*

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

- Amendments to PAS 7, '*Statement of Cash Flows',* and PFRS 7, '*Financial Instruments: Disclosures'*

  The IASB has issued new disclosure requirements about supplier financing arrangements (SFAs), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by the standards fall short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

1. The terms and conditions of SFAs.
2. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
3. The carrying amount of the financial liabilities in item 2 for which suppliers have already received payment from the finance providers.
4. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
5. Non-cash changes in the carrying amounts of financial liabilities in item 2.
6. Access to SFA facilities and concentration of liquidity risk with finance providers.

The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

The amendments to existing standards are not expected to have a material impact on the Company's financial statements and on foreseeable future transactions.

25.3 Financial instruments

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

25.3.1 Financial assets

Initial recognition and measurement

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

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

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

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

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

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

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

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

25.3.2 Financial liabilities

Initial recognition and measurement

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

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

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

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

25.3.3 Derecognition of financial instruments

Financial asset

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

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

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

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

Financial liability

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

25.3.4 Impairment of financial assets

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

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

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

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

25.4 Fair value measurement

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

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

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

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

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

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

Fair value hierarchy

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

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

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

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

25.5 Other assets

Input VAT

Input VAT is classified as current when the benefits are expected to be realized within 12 months from reporting date. If not, these are classified as non-current. These are carried at cost less allowance for probable losses, if any.

CWT

CWT are carried at cost less allowance for probable losses, if any.

Advances to contractors

Advances to contractors are carried at cost less allowance for probable losses, if any.

25.6 Investment properties

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

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

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

25.7 Impairment of non-financial assets

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

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

25.8 Deposits and other liabilities

Deferred credits

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

25.9 Equity

Paid-up capital and APIC

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

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

Share issuance costs

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

Treasury shares

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

25.10 Revenue recognition

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

Dues

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

Disaggregated revenue information

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

Allocation of transaction price to performance obligation

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

Timing of revenue recognition

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

25.11 Income outside the scope of PFRS 15

Rental income

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

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

Interest income

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

25.12 Costs and expenses

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

25.13 Leases

The Company as lessor - operating lease

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

The Company as lessor - finance lease

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

The Company as lessee

(a) Right-of-use asset

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

(b) Lease liabilities

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

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

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

25.14 Income tax

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

25.15 Earnings per share

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

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

25.16 Segment reporting

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

25.17 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.

26 Report on the supplementary information required by the BIR

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

(a) Output VAT and input VAT

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

The Company is a VAT-registered entity with VAT output declaration of P316,231,271 for the year ended December 31, 2023 based on the vatable sales amounting to P2,635,260,591. Zero-rated sales amounted to P5,167,181,532.

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

Movements in input VAT for the year ended December 31, 2023 follow:

	Amount
At January 1, 2023	1,148,669,499
Capital goods not subject to amortization	368,621
Input tax on depreciable capital goods not attributable to any specific activity	268,780,155
Domestic purchases/payments for:	
Domestic purchases of services	192,954,805
Purchase of goods other than capital goods	5,910,629
Total input VAT	1,616,683,709
Less: Balance applied against output VAT	(316,231,271)
At December 31, 2023	1,300,452,438

(b) Documentary stamp tax

Documentary stamp taxes paid for the year ended December 31, 2023 amounted to P97.66 million, which pertains to the issuance of new shares and lease contracts of various tenants.

(c) All other local and national taxes

All other local and national taxes accrued and paid for the year ended December 31, 2023 consist of:

	Amount
Real property tax	354,245,565
Business permit	112,153,969
Fire permit	951,954
Community tax	10,500
BIR annual registration	500
Others	8,265,504
	475,627,992

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

(d) Withholding taxes

The amount of withholding taxes paid and accrued for the year ended December 31, 2023 follows:

	Total remittances	Withholding taxes payable	Total
Expanded withholding taxes	33,804,527	48,707,836	82,512,363
Final withholding taxes	67,786,084	24,939,468	92,725,552
	101,590,611	73,647,304	175,237,915

Total remittances pertain to tax payments made for the reporting period covering January 2023 to November 2023. The outstanding withholding taxes payable, included in Taxes payable under “Accounts and other payables” in the statement of financial position, as at December 31, 2023 represents the withholding taxes for the month of December 2023 which were remitted in January 2024.

(e) Taxes on importation

The Company has not made any importations in 2023.

(f) Excise tax

The Company has no transactions subject to excise tax in 2023.

(g) Tax assessments and cases

There are no outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of the BIR as at December 31, 2023.

AREIT, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2023
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, beginning of the year		4,759,857,104
Add: Category A: Items that are directly credited to Unappropriated retained earnings		
Reversal of retained earnings appropriation/s	-	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	-
Less: Category B: Items that are directly debited to Unappropriated retained earnings		
Dividend declaration during the reporting period	4,067,577,708	
Retained earnings appropriated during the reporting period	-	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	(4,067,577,708)
Unappropriated Retained Earnings, as adjusted		692,279,396
Add/Less: Net income (loss) for the current year		5,030,544,039
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Unrealized fair value gain of investment property	99,254,883	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs (describe nature)	-	(99,254,883)

(continued)

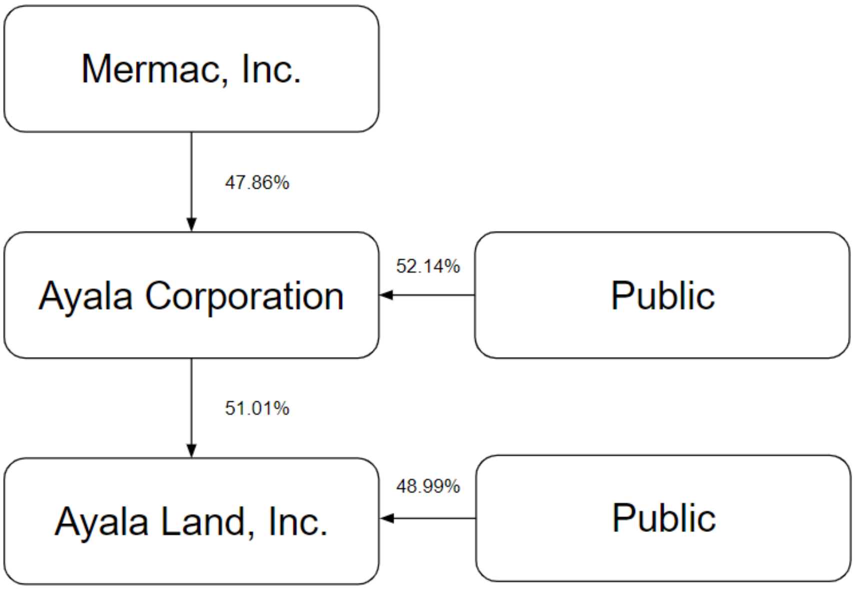
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs	-	-
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRSs, previously recorded (describe nature)	-	-
Adjusted net income		4,931,289,156
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	-

(continued)

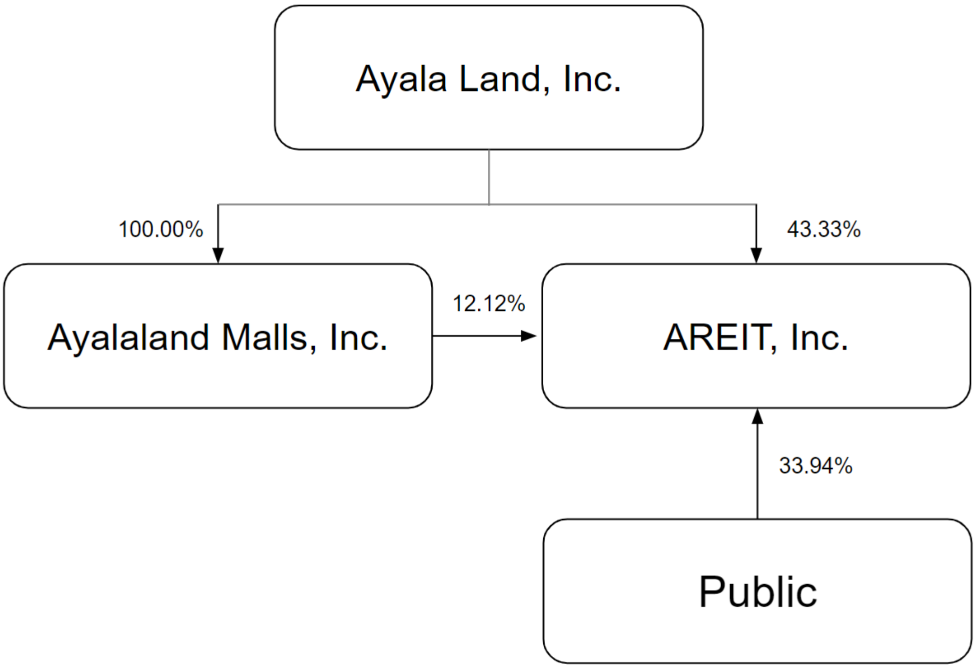
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others (describe nature)	-	-
Total Retained Earnings, end of the year available for dividend declaration		**5,623,568,552**

AREIT, Inc.

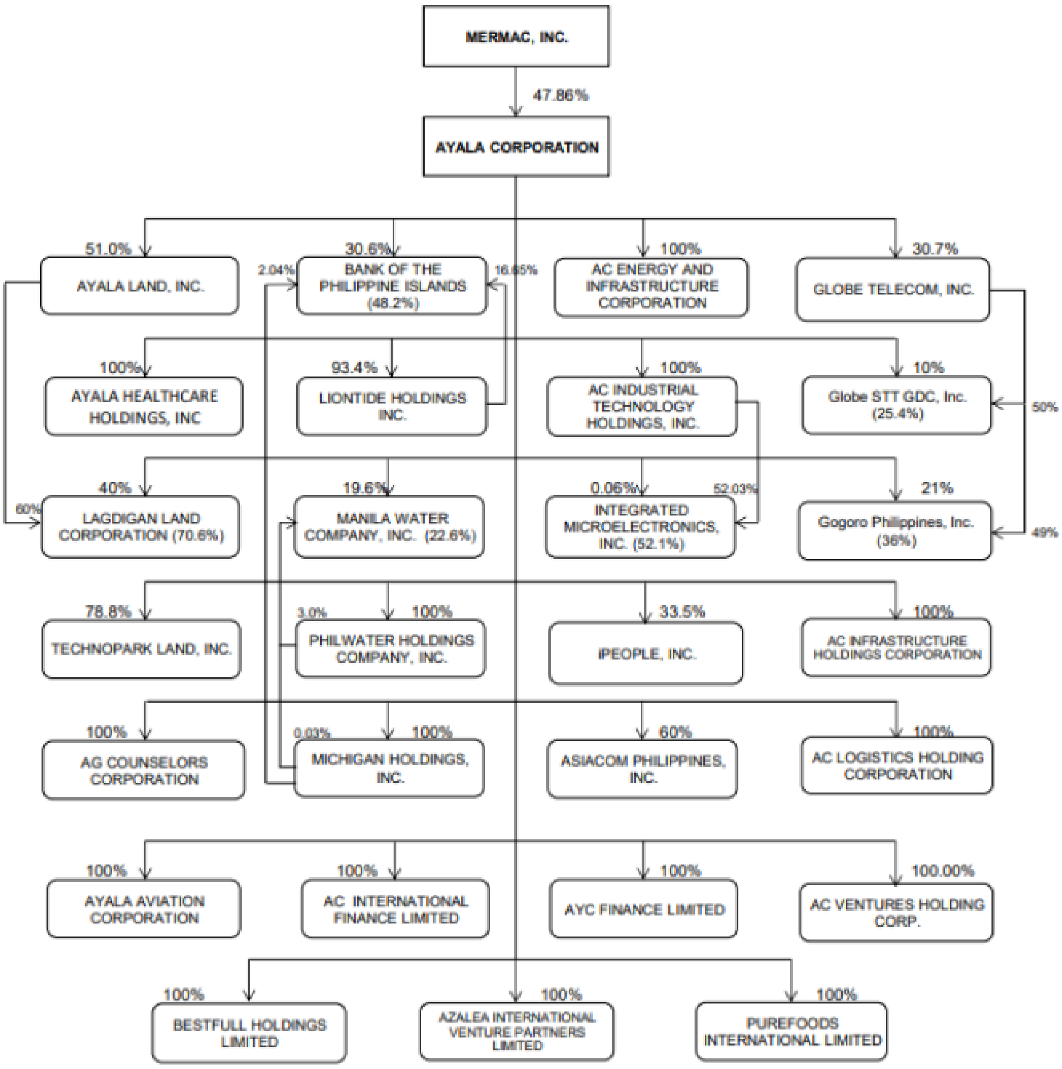
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2023



AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2023



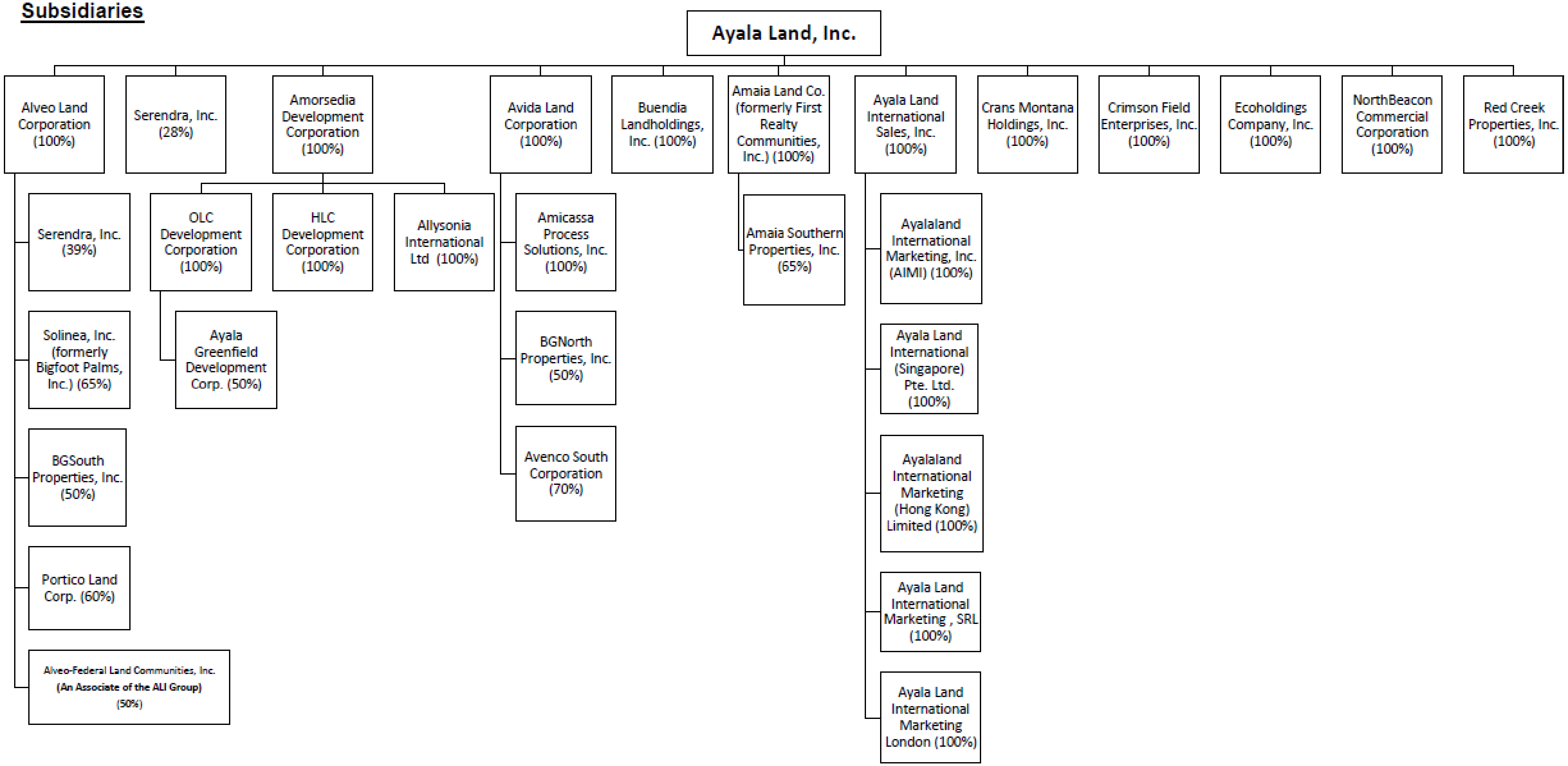
AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2023



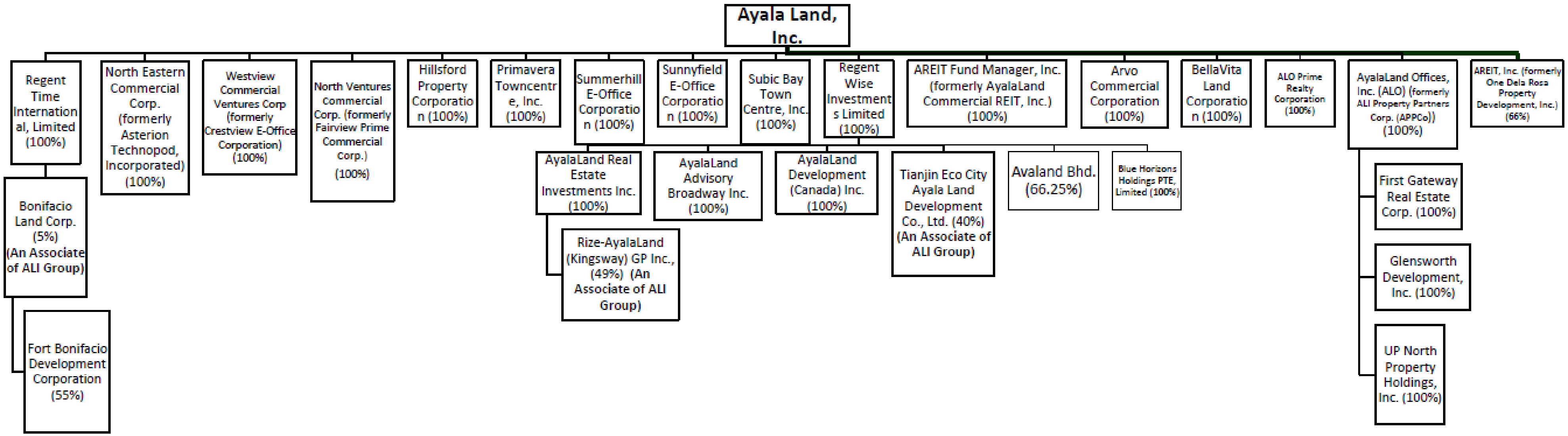
Legend:
% of ownership appearing outside the box - direct % of economic ownership
% of ownership appearing inside the box - effective % of economic ownership

AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2023
Page 4

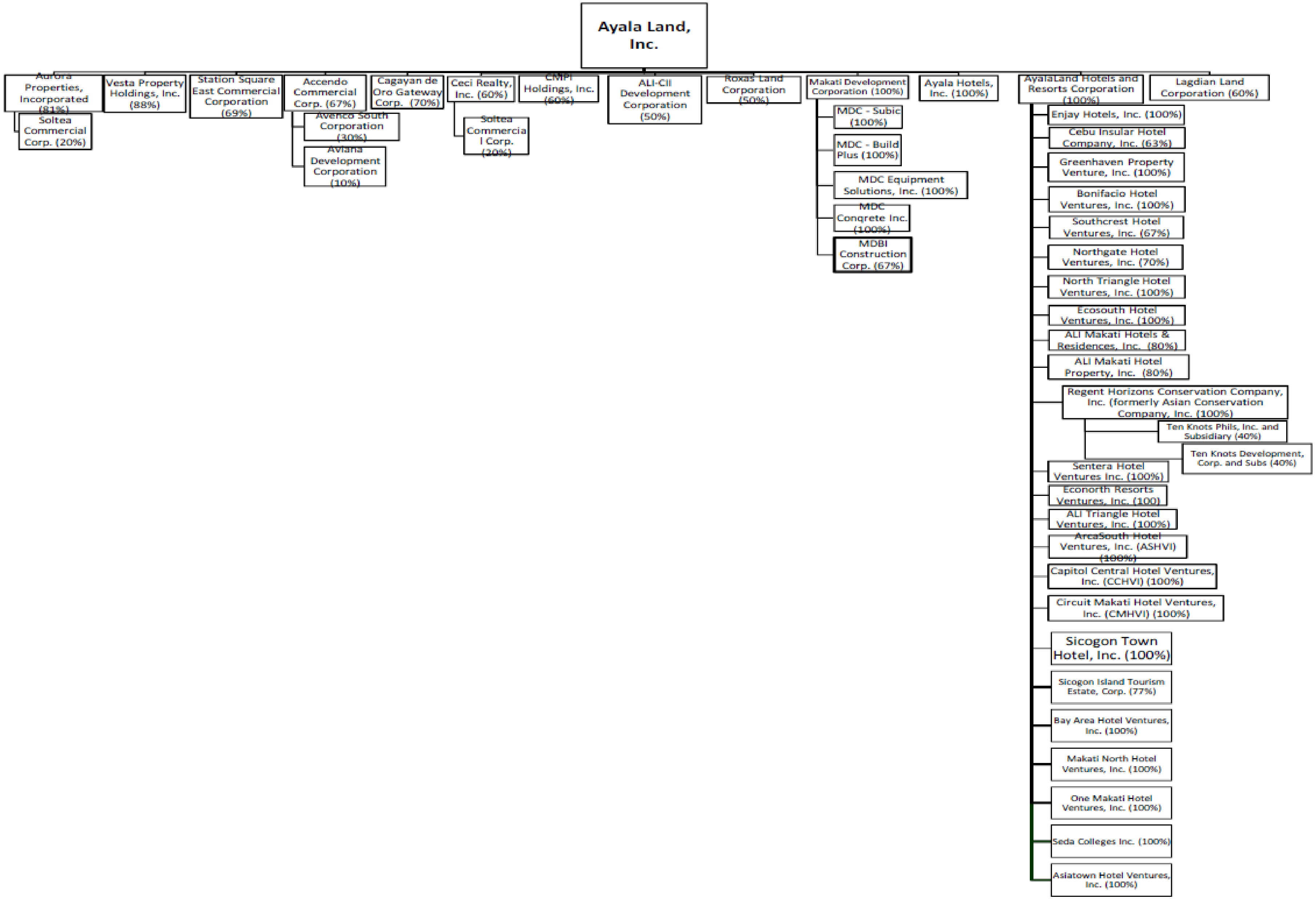
Subsidiaries



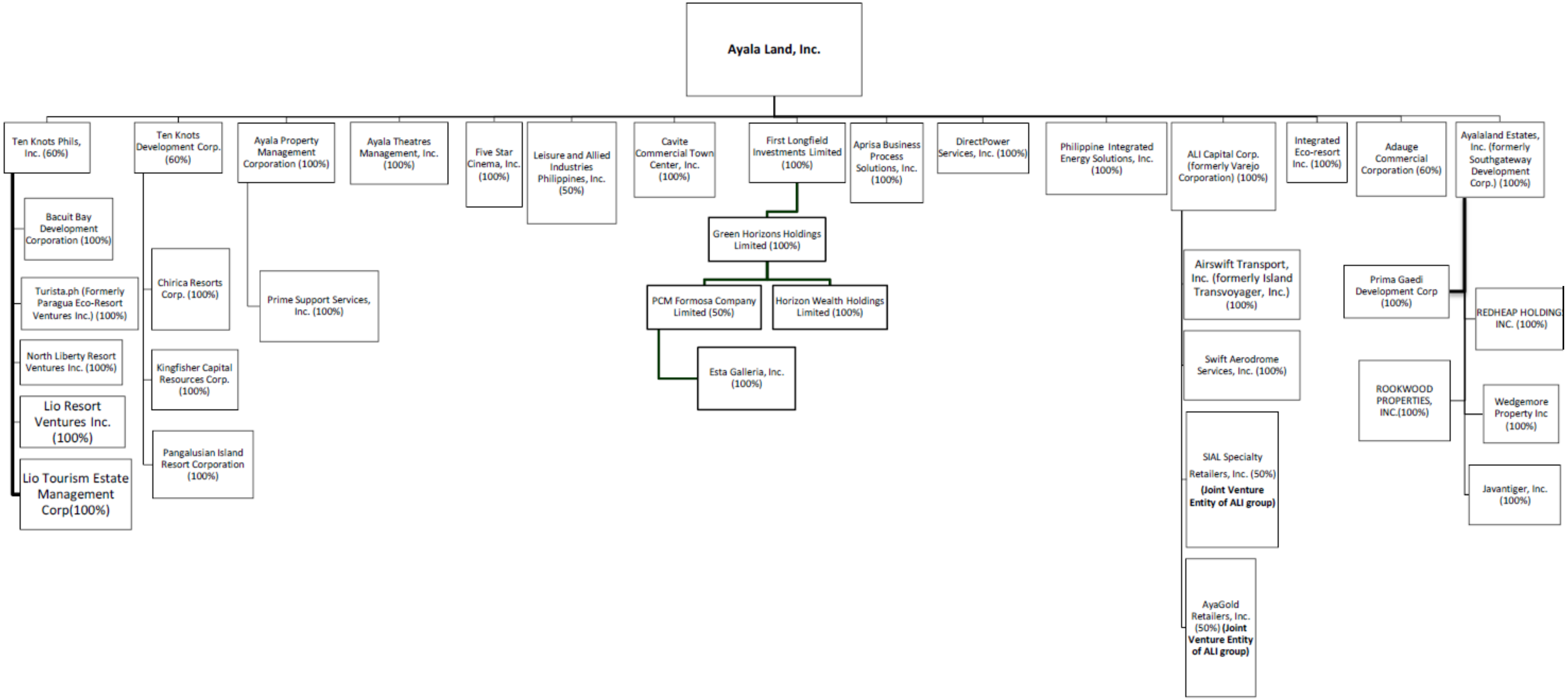
AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2023
Page 5



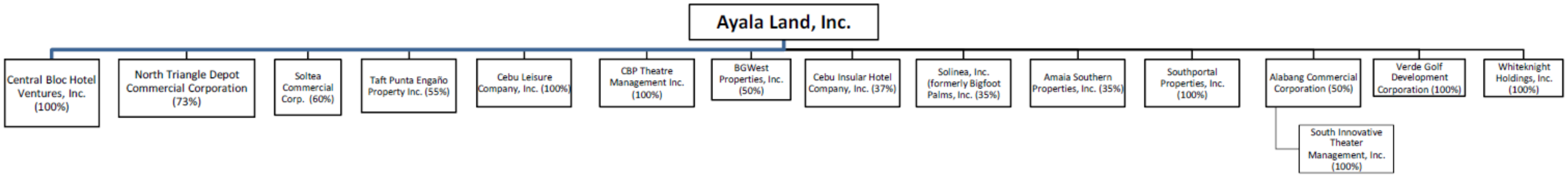
AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2023

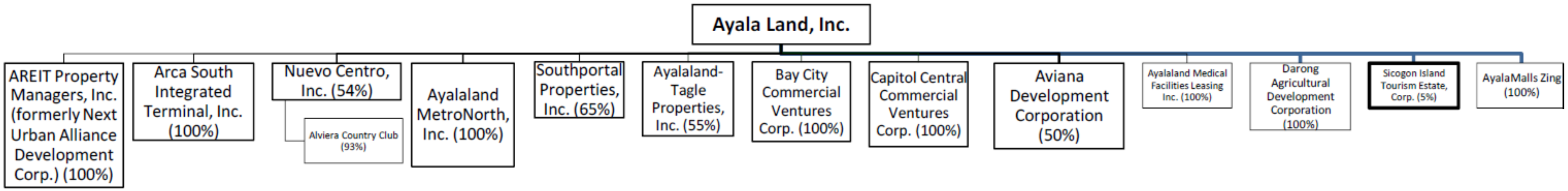


AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2023
Page 7

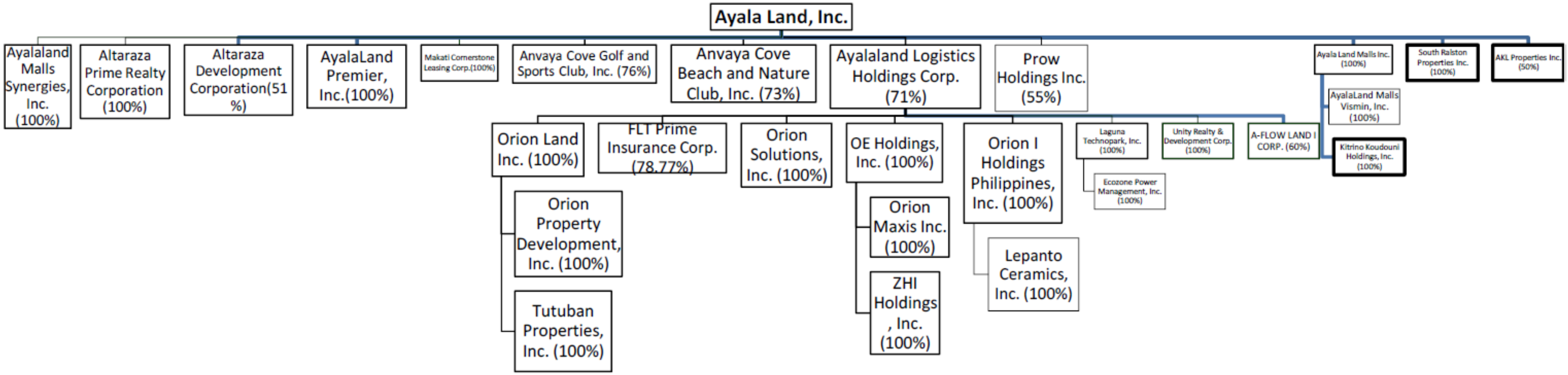


AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2023

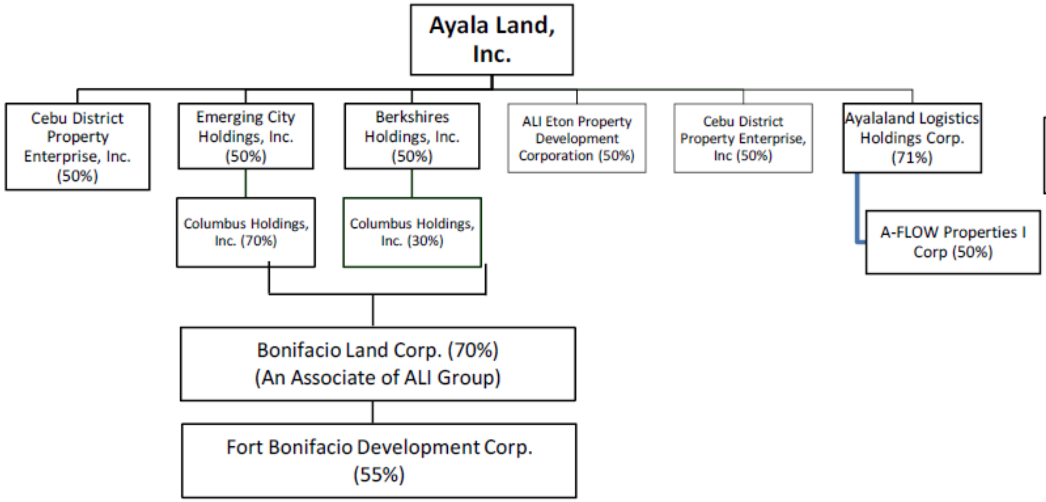




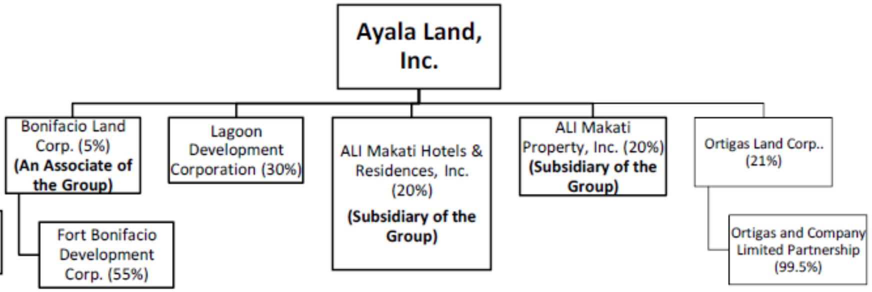
AREIT, Inc.
Map of the Group of Companies within which the Reporting Entity belongs
As at December 31, 2023



Direct Investments in Joint Ventures



Direct Investments in Associates



AREIT, Inc.

Schedule A - Financial Assets
As at December 31, 2023
(All amounts in Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of financial assets	Amounts shown in the statement of financial position	Income received and accrued
Cash in bank*			
Bank of the Philippine Islands	16,923,503	16,923,503	370,085
Deutsche Bank	24,602,543	24,602,543	4,545,630
	41,526,046	41,526,046	4,915,715
Short term investments	-	-	418,912
Receivables**			
Finance lease receivables	8,970,700,468	8,970,700,468	450,832,306
Due from related parties	3,572,116,662	3,572,116,662	128,495,045
Trade receivables - billed	764,788,173	764,788,173	-
Other receivables	2,349,543	2,349,543	-
	13,309,954,846	13,309,954,846	579,327,351
	13,351,480,892	13,351,480,892	584,661,978

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

AREIT, Inc.

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)
As at December 31, 2023

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

AREIT, Inc.

Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
As at December 31, 2023

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

AREIT, Inc.

Schedule D - Supplementary Schedule of Long-Term Debt
As at December 31, 2023

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

AREIT, Inc.

Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
As at December 31, 2023

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

AREIT, Inc.

Schedule F - Guarantees of Securities of Other Issuers
As at December 31, 2023

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

AREIT, Inc.

Schedule G - Capital Stock
As at December 31, 2023

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related Statement of Financial Position caption	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by related parties	Number of shares held by directors, officers, and employees	Others
Common	4,050,000,000	2,368,606,573	-	1,564,849,666	7	-
Total	4,050,000,000	2,368,606,573	-	1,564,849,666	7	-

See Note 11 to the financial statements.

AREIT, Inc.

Financial Soundness Indicators
As at December 31, 2023
(With comparative figures as at December 31, 2022 and 2021)
(All amounts are in Philippine Peso, unless otherwise stated)

Ratio	Formula		2023	2022	2021
A. Current and liquidity ratios					
1. Current ratio	Total current assets	5,357,019,054	0.90	0.43	0.67
	Divided by: Total current liabilities	5,926,644,711			
	Current ratio	0.90			
2. Acid test ratio	Total current assets	5,357,019,054	0.87	0.39	0.63
	Less: Other current assets	(178,145,850)			
	Quick assets	5,178,873,204			
	Divided by: Total current liabilities	5,926,644,711			
	Acid test ratio	0.87			
B. Solvency ratio	Net income	5,030,544,039	1.68	0.88	0.63
	Add: Depreciation	222,922			
	Net income before depreciation	5,030,766,961			
	Divided by: Total debts*	3,000,000,000			
	Solvency ratio	1.68			
C. Debt-to-equity ratio	Total debts	3,000,000,000	0.04	0.05	0.08
	Divided by: Total equity	83,409,836,809			
	Debt-to-equity ratio	0.04			
D. Asset-to-equity ratio	Total assets	93,272,292,451	1.12	1.13	1.16
	Divided by: Total equity	83,409,836,809			
	Asset-to-equity ratio	1.12			
E. Interest rate coverage ratio	EBITDA**	5,035,716,863	21.25	15.71	14.02
	Divided by: Interest expense	236,970,210			
	Interest rate coverage ratio	21.25			
F. Profitability ratios					
1. Return on assets (%)	Net income	5,030,544,039	6%	5%	6%
	Divided by: Average total assets	80,479,140,609			
	Return on assets (%)	6%			
2. Return on equity (%)	Net income	5,030,544,039	7%	5%	5%
	Divided by: Average total equity	71,741,363,319			
	Return on equity (%)	7%			
3. Net profit margin	Net income	5,030,544,039	0.70	0.57	0.73
	Divided by: Total revenues	7,140,336,206			
	Net profit margin	0.70			

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