SEC Number 152249
CODE NO. PR-005
File Number ________

ARANETA PROPERTIES, INC.
Company's Full Name

21st Floor Citibank Tower, Paseo de Roxas, Makati City
Company's Address

(632) 848-1501 to 04
Telephone Number

December 31
Calendar Year Ending
(month & day)

17-A ANNUAL REPORT
Amended
(Form Type)

____
(Amendment Designation (if applicable)

December 31, 2013
(Period Ended Date)

Registered and Listed
(Secondary License Type and File Number)

ARANETA PROPERTIES, INC.
21st Floor Citibank Tower, Paseo de Roxas Makati City
Philippines

SEC FORM 17-A
Amended

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended: **December 31, 2013**

2. SEC Identification Number: **152249**

3. BIR Tax Identification No. **000-840-355**

4. Exact name of registrant as specified in its charter:
   ARANETA PROPERTIES, INC.

5. **Makati City, Philippines**
   Province, Country or other jurisdiction of
   Incorporation or organization

6. (SEC Use Only) [ ]
   Industry Classification Code:

7. **21/F Citibank Tower, Paseo de Roxas, Makati City 1227**
   (Address of Principal Office) (Postal Code)

8. **(632) 848-1501 to 04**
   (Registrant's telephone number, including area code)

9. **Not applicable**
   (Former name, former address and former fiscal year, if changed since last report)

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Stock, Php1.00par value	1,561,110,070 shares

11. Are any or all of these securities listed on the Philippine Stock Exchange

    Yes **(x)** No ( )

12. Check whether the registrant:

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

Yes (**x**) No ( )

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

Yes (**x**) No ( )

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

a. Total number of shares held by non-affiliates as of December 31, 2013 476,511,159 shares
b. Closing price of the registrant's share on the exchange as of December 27, 2013 Php 1.4600 per share
c. Aggregate market price of (a) as of December 31, 2013 695,706,292.14

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

15. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [x] Not Applicable

DOCUMENTS INCORPORATED BY REFERENCE

16. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

None

MANAGEMENT REPORT

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

DESCRIPTION OF BUSINESS

Business Development

Araneta Properties, Inc. (the "Company" or "ARA") is a publicly listed corporation in the Philippine Stock Exchange with real estate development as its primary purpose. The Company was formerly known as Integrated Chrome Corporation (INCHROME) which was organized on June 15, 1988. The principal business was to mine chrome ore and produce ferro silicon metal or commonly known as ferrochrome. INCHROME stopped its smelter operations in January 1996 because of the depressed ferrochrome market and increasing production costs. In September 1996, the stockholders and the Board of Directors approved the following changes in the Company's business and structure:

1) Change in the corporate name from INCHROME to Araneta Properties, Inc.;
2) Change in the primary purpose of business to land and property development and maintain the smelter operations as a secondary purpose;
3) Removal of stockholders' pre-emptive right to subscribe with respect to issuance of shares of stock of the Company from un-issued portion of the authorized capital stock, including increases thereof;
4) Change in par value from P0.30 to P1 per share;
5) Increase in authorized capital stock from P300,000,000 (divided into 1 billion shares with a par value of P0.30 per share) to P5,000,000,000 (divided into 5 billion shares with a par value of P1 per share); and
6) Removal of classification of shares of stock.

Since its inception, the Company has not gone through any bankruptcy, receivership or similar proceeding. There has been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

On May 28, 2002, the properties owned but were no longer used in business and classified under "Other Assets" account (the smelter plant) in the Balance Sheet was sold to a domestic corporation on January 24, 2005 via a Deed of Conditional Sale on an installment basis for a period of (7) seven years, the amortization of which started on January 2006.

Business of Issuer

In 2013, the Company sold Eighty Three Seven Twenty Nine (83,729) square meters of developed lots to Three Hundred Eleven (311) buyers with various payments terms. The total lots sold by the Company as of December 31, 2013 is Eight Hundred Four Thousand Nine Hundred Ninety Nine (804,999) square meters of developed lots to Three Thousand Eight Hundred Four (3,804) buyers.

Phase 3, Phase 3A and Phase 3B, has been opened to buyers with more or less total aggregate lot area of Three Hundred Eighteen Thousand Eight Hundred Four (318,804) square meters.

The project engineer in-charge of the over-all Project development has reported that Phase 1, Phase 2 and Phase 3 are 97.00%, 98.00% and 71.38% , complete, respectively. While the Country Club is 98% complete as of December 31, 2013.

As part of the land banking activities in 2012, the Company entered into a contact to sell agreement for the acquisition of parcels of land detailed as follows:

1) In August 24, 2012 the Company signed a contract to sell with Don Manuel Corporation a domestic Corporation owner of parcels of land located at San Jose Del Monte, Bulacan with a total lot area of Four Hundred Ten Thousand Three Hundred Seventy Seven (410,377) square meters. The contract included the exclusion of Twenty One Thousand Eight Hundred Thirty Six (21,836) square meters being occupied by the National Transmission Corporation. Thus, the net saleable lot acquired is Three Hundred Eighty Eight Thousand Five Hundred Forty One (388,541) square meters payable via installment terms over a period of three (3) years. And

2) In December 19, 2012, the company signed another contract to acquire land which is located at San Jose Del Monte, Bulacan with a total lot area of Nine Hundred Twenty Six Thousand Five Hundred Fifty (926,550) meters from BDO Strategic Holdings Inc.. The contract covers a 10 year installment term with fixed interest rate of 8% per annum.

On June 5, 2003 ARA signed a Joint Venture Agreement with Sta. Lucia Realty and Development, Inc. (SLRDI) to develop the Company's 2,364,082 square meters property being described in the master plan which consists of Class A Residential and Commercial Subdivision with a Country Club. The developer gave a period of not more than two (2) years for the project implementation of the commercial subdivision. The Company hired Orchard Property Marketing Corp to handle the sales and marketing of said joint venture project.

No problem is foreseen as far as suppliers are concerned, since all the materials needed for property development are 100% available locally.

There are no other transactions with and/or dependence on related parties.

As mentioned above the business of the Company is developing more or less 2,364,082 square meters property in San Jose Del Monte Bulacan, and the inclusion of more or less 1,336,900 square meters of parcels of land described above. The Company is the only establishment holding such large area of land in contiguous lots. The management positively believes that there will be no such "competitor/s" seen in the near future within the geographic area for the reason that there are no more such large quantity of land easy to consolidate for "Commercial, Residential and Mixed" project like the **Ayala Business District of Makati**, the Trinoma of Quezon City, the **Fil-Invest of Ayala Alabang** or **Nuvali of Sta. Rosa City**. Thus, competition or such is no longer an issue in the business operation of the Company.

Pursuant to the Joint Venture Agreement between the Company and the Sta. Lucia Realty and Development, Inc. (SLRDI), the Company being the owner of the land is entitled to forty percent (40%) of the net proceeds; in case of a Cash Override, or forty percent (40%) of the saleable, in case of lot override, while the SLRDI is entitled to sixty percent (60%) on Cash or lot override as it has to carry the masterplan and implement it including all the required development such road preparation, drainage system, pavement of roads, curbs, gutters, sidew alks, water systems, deepwell or water tank, electrical system, perimeters or security walls, planting of trees or landscaping, and development of park ways or open spaces at their own cost.

The percentage of revenues during each of the last three fiscal year, are as follows:

Particulars	Year 2013	Year 2012	Year 2011
Sale from Real Estate	114,301,070	143,844,130	93,826,472
Cost of Land	40,541,808	58,361,958	56,946,310
Percentage to revenue	35.47%	40.57%	60.69%

Government Approvals and Regulations

Since the primary business of the Company is to develop and sell real properties, it needs the following governmental approvals are needed:

1) Environmental Clearance Certificate – (Approved ECC),
2) Locational Clearance Certificate – (Approved LCC for Lot 13, approximately 96 hectares).
3) Effect of existing or probable governmental regulation on the business - None

Human Resources

As December 31, 2013 the total number of officers, managers, consultants and regular employees of the Company are as follows:

Legal officers	1
Managers	6
Consultants	2
Supervisors, Rank and File	34
Total number of employees	43

Employees & consultants described above does not include stock-transfer agent as well as external auditors.

The above employees of the Company are not subject to Collective Bargaining Agreement and have not experienced or seen of any conflict with the management for the past three (3) years. At present there are no supplemental benefits or incentive arrangements that the Company has or will have with its employees

Financial Instruments and Capital Management

In General Management

The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash and cash equivalents, receivables and loans payable. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as receivables, AFS investments, accounts payable and accrued expenses which arise directly from its operations. The main risks arising from the Company's financial instruments are liquidity risk and credit risk. As of December 31, 2013 and 2012, the Company has minimal exposure to any significant foreign currency risk because most of its financial instruments are denominated in Philippine peso. As assessed by the management, the Company has minimal exposure to equity price risk for the AFS financial asset and as such, has no material impact to the financial statements. The BOD reviews and approves the policies for managing each of these risks such as:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The Company seeks to manage its liquid funds through cash planning on a monthly basis. The Company uses historical figures and experiences and forecasts from its collection and disbursement.

Certain Issues or Issuers

Investment Company Securities.

On June 5, 2003 ARA signed a Joint Venture Agreement with SLRDI to develop the Company's 2,364,082 square meters property being described in the master plan as a Class A Residential and Commercial Subdivision with Country Club. The JV appointed Orchard Property Marketing Corporation to handle the marketing plan and strategy for the sales of said joint venture project.

As part of its land banking activities, the Company in August 24, 2012 signed a contract to sell with Don Manuel Corporation a domestic Corporation owner of parcels of land located at San Jose Del Monte, Bulacan with a total lot area of Four Hundred Ten Thousand Three Hundred Seventy Seven (410,377) square meters. The contract excludes Twenty One Thousand Eight Hundred Thirty Six (21,836) square meters being occupied by the National Transmission Corporation. Thus, the net saleable lot acquired is Three Hundred Eighty Eight Thousand Five Hundred Forty One (388,541) square meters payable via installment terms over a period of three (3) years. On December 19, 2012, the company signed another contract to acquire land from BDO Strategic Holdings, Inc. located also in San Jose Del Monte, Bulacan with a total lot area of Nine Hundred Twenty Six Thousand Five Hundred Fifty (926,550) square meters. The contract covers a Ten (10) years installment terms with fixed interest rate of 8% per annum.

ITEM 2 PROPERTIES

DESCRIPTION OF PROPERTIES

San Jose del Monte, Bulacan Property

Size and Location - The property of the Company consists of 248.113 hectares of prime land most of which are located in Barrio Tungkong Mangga, San Jose del Monte, Bulacan, and bounded by Kalookan City on the southwest, Quezon City on the South, Montalban on the East and San Jose del Monte on the northeast. The

248.113 hectares of prime land subject of the above discussion do not include the 133.692 hectares of lang acquired in year 2012

Access - The main road leading to the property is the Quirino Highway. It can be easily be reached via Gregorio Araneta Avenue which runs for about 6 kms. from the southwest entrance in Kalookan City to the northeast point of the development site. In the near future, the proposed C-6 (from the Bicutan junction of the South Luzon Tollway to North Luzon Tollway in Marilao, Bulacan) will either cut through the property or pass right next to it.

Likewise, the proposed North Luzon Expressway East (which will connect C-5 to Nueva Ecija and will run parallel to North Luzon Toll Way) will pass nearby. The Quezon City LRT (from Welcome Rotonda through Commonwealth Avenue and its proposed extension via Quirino Highway to Norzaragay) and the EDSA LRT will provide faster, easier access to and from Metro Manila.

What It Looks Like - The rolling terrain rises gently from the SW entrance to the NE tip, reaching a height of 280 meters at its highest point. From there one can see the Capitol Hills area nearby and Manila Bay farther out in the distance. Most of the property (approximately 65%) has a slope of less than ten degrees, which is suitable to commercial and residential development. About 25% of the land has a 10-20 degree slope, which presents constraints to commercial development but is suited to housing. Some 10% of the terrain has a 20-30 degree slope, making it fit mostly for hillside housing. From the air, one can see the Marilao River running along the eastern and southern boundaries of the site. Much of it now is grassland, with some areas planted to crops and mango groves. A few spots of heavy vegetation exist. Surrounding the property - and keeping it free from pollution - are the Angat and La Mesa watersheds.

Utilities - Electricity is provided by Manila Electric Company. Philippine Long Distance Telephone Company and Digitel share the telecommunications franchise in the area. Water comes from underground sources and the San Jose del Monte Sapang Palay filtration plant. Over the long run, however, the water needs of the developed property will be supplied by a MWSS aqueduct connected to Angat River and coursed through an in-site filtration plant.

Smelting Plant Property - Existing Smelting Plant

The Company has an existing smelting plant built on a 5 hectare land located within the Poblacion of Barrio Patag, Manticao, Misamis Oriental. This plant was shut down in 1996 when the production of ferrochrome in the country was no longer competitive with the decreasing world market price and the increasing production costs.

Size and Location of Land - The property consists of 17.3 hectare of industrial/residential land with 5 hectare smelting plant and about 1 hectare residential lot with (2) story staff-house built on it and located along the national highway of Cagayan de Oro City to Iligan City and within the Poblacion of Barrio Patag, Manticao, Misamis Oriental adjacent to the plant. This property formed part of the "Investment property " account in the balance sheet.

The Company is currently in discussion with the management of Platinum Group Metal Corporation (PGMC) with respect to the existing terms of the installment receivable.

On January 24, 2005, the Company entered into a contract of sale with Platinum Group Metal Corporation (PGMC) for the sale of the nonoperating properties for a total agreed price of ₱150.0 million. In accordance with the agreement, the Company received ₱2.0 million on the initial signing of contract on January 24, 2005 together with checks dated April 24, 2005 and July 24, 2005 which amounted to ₱3.0 million and ₱5.0 million, respectively. The remaining balance of the purchase price will be received in monthly installments starting January 24, 2006 . The sale of the nonoperating properties resulted in a gain amounting to ₱37.6 million in year 2005.

The investment property subject to an operating lease with a fair value of ₱116.23 million based on the prevailing market price as of December 31, 2012.

Land Banking Activities

The MOA between the Company and the Araza Resources Corporation (Araza) in year 2011, resulted to the August 24, 2012 contract to sell with Don Manuel Corporation a domestic Corporation owner of parcels of land located at San Jose Del Monte, Bulacan with a total lot area of Four Hundred Ten Thousand Three Hundred Seventy Seven (410,377) square meters. The contract excludes Twenty One Thousand Eight Hundred Thirty Six (21,836) square meters being occupied by the National Transmission Corporation. Thus, the net saleable lot acquired is Three Hundred Eighty Eight Thousand Five Hundred Forty One (388,541) square meters payable via installment terms over a period of three (3) years. On December 19, 2012, the company signed another contract to acquire land from BDO Strategic Holdings, Inc. located at San Jose Del Monte, Bulacan with a total lot area of Nine Hundred Twenty Six Thousand Five Hundred Fifty (926,550) square meters. The contract covers a Ten (10) years installment terms with fixed interest rate of 8% per annum.

ITEM 3. LEGAL PROCEEDINGS

a) No legal proceeding was filed or is pending involving claims exceeding 10% of the current assets for or against the Company;

b) There were No bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;

c) There were No conviction by final judgment of competent court, including the nature of the offense, in a criminal proceedings, domestic or foreign or being subject to a pending criminal proceeding domestic foreign excluding traffic violations and other minor offenses;

d) There have been No order of judgment or decree not subsequently reversed suspended or vacated of any court of competent jurisdiction domestic or foreign permanently or temporarily enjoining barring suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities, and

e) The company have not been found by a domestic or foreign court of competent Jurisdiction (in a civil action) commission or comparable foreign body, a domestic or foreign exchange, other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The stockholder's meeting of the Company was held last November 20, 2013 at the 21st Floor Citibank Tower, Paseo de Roxas, Salcedo Village Makati City. At the said meeting, the Annual Report including the Financial Statement and the minutes of the meeting of the stockholders for the year 2012-2013 and interim financial statements for the year 2013 were presented and approved by the stockholders present representing 72.487% of the outstanding shares entitled to vote.

The following were elected Directors of the Company for the year 2013-14, namely: Gregorio Ma. Araneta III, Carlos R. Araneta, Luis Araneta, Crisanto Roy B. Alcid, Perry L. Pe, Alfredo de Borja, Alfredo Roa III, Santiago Araneta and Alfonso Araneta.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

(1) Market Information

(a) The principal market of the Company's shares of stocks is the Philippine Stock Exchange. The high and low sales price of the Company's shares for the last three (3) years are as follows:

	2013		2012	
	High	Low	High	Low
First Quarter	1.5945	1.3263	0.6723	0.5710
Second Quarter	1.9699	1.8557	0.7148	0.6944
Third Quarter	1.5616	1.4877	0.5989	0.5813
Fourth Quarter	1.4180	1.3642	0.7873	0.7022

(b) The closing prices of the Company's stock as of the latest practicable trading dates were as follows:

Year	Month/Date	Closing Price (in Php)
2014	March 31, 2014	P1.7300
2014	February 28, 2014	P1.6093
2014	January 30, 2014	P1.5251

(2) **The approximate number of shareholders as of December 31, 2013 is 2,246 shareholders and the top twenty (20) shareholders as of December 31, 2013 are the following:**

1	PCD Nominee Corporation	Filipino	756,815,031	48.48%
2	Carmel Development Inc..	Filipino	499,999,997	32.03%
3	Gamma Properties, Inc	Filipino	136,000,000	8.71%
4	Olongapo Mabuhay Express Corp.	Filipino	124,855,422	8.00%
5	Brand Realty Corporation	Filipino	13,725,404	0.88%
6	PCD Nominee Corporation	Other Alien	7,476,410	0.48%
7	Seafront Resources Corporation	Filipino	3,756,788	0.24%
8	MJ Soriano Trading, Inc.	Filipino	2,120,000	0.14%
9	Pedro O. Tan	Filipino	870,000	0.06%
10	Ruby D. Roa	Filipino	588,599	0.04%
11	Teresita Dela Cruz	Filipino	528,458	0.03%
12	Maria Cristina Dela Paz	Filipino	525,000	0.03%
13	Flora Pascual	Filipino	493,720	0.03%
14	Leonides Francisco Balmeo Lovell Redondo Bautista	Filipino Filipino	425,000 425,000	0.0% 0.03%
15	Luis V. Ongpin, JR ITF Victor Luis M. Ongpin	Filipino	411,000	0.03%
16	Pan Malayan Management & Investment Corp	Filipino	392,727	0.03%
17	Paolo Tuason	Filipino	376,500	0.02%
18	EBC Securities Corporation	Filipino	300,000	0.02%
19	Rosanna Isabel Flores	Filipino	255,000	0.02%
20	Florentino M. Hererera III	Filipino	241,102	0.02%

	Total **Add: Other Stockholders**		**1,550,581,158** **10,528,912**	**99.35%** **0.65%**
	Total Shares		**1,561,110,070**	**100.00%**

(3) Dividends

The Company has no restrictions that will limit the ability to pay dividends on common equity. But the Company, as a general rule, shall only declare from surplus profits as determined by the Board of Directors as long as such declaration will not impair the capital of the Company.

Since the Company has only started recognizing income, no dividends have been declared for the last three (3) years.

(4) Recent Sales of unregistered securities

a) No unregistered securities have been sold during the calendar year ended.
b) Underwriter and other purchases – Not applicable
c) Exemption from registration claimed – None/not applicable

ITEM 6 MANAGEMENT'S DISCUSSION and ANALYSIS OR PLAN OF OPERATION

(1) Management's Discussion and Status of Operation

2013

The performance of the Company in terms of sales input experiencing slowdown in the year 2013 as compared with that of the year 2012. This performance is a result of marketing strategies being implemented specifically the market price indicators showing significant jumped into a higher price per square meter, the said trend is brought about by the new real estate company introduced within the locality. The said scenario the management decided to defer opening in full to market the land inventory available to awaiting for a good timing and much better price.

As of December 31, 2013, the residential area of Phase 1, Phase 2 and Phase 3 are 97%, 98% and 71.38%% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

Another bright future seen in the coming years is the plan of the National Government on the expansion of the MRT/LRT from Quezon City LRT (from Welcome Rotonda through Commonwealth Avenue and its proposed extension via Quirino Highway to Norzaragay) and the EDSA LRT will provide faster, easier access to and from Metro Manila. And expansion program of other real estate company in the locality has introduces a good scenario which is notably the increased in the land demand during year.

Key Performance Indicators

The Company operates in one business segment, the real estate. The following Key Performance Indicators were adopted by the corporation in order to measure the profitability of the Company and to provide management with a measure on the financial strength, liquidity and ability to maximize the value of its stockholders' investments.

	As Dec 31, 2013	As of Dec 31, 2012
Current Ration (1)	2.2811 : 1	2.1400 : 1
Debt to Equity Ratio (2)	1: 0.2422	1: 0.2565
Earnings per Share (3)	1: 008186	1: 0.0170
Earnings before interest and Income Taxes (4)	P33.837 million	P41.418 million
Return on Equity	0.0217	0.0223

1) Current Assets / Current Liabilities
2) Total Liabilities / Stockholders' Equity
3) Net Income / Outstanding Shares
4) Net Income plus Interest Expenses and Provision for Income Tax
5) Net Income / Average Stockholder's Equity

There are no known trends, events or uncertainties with significant impact on net sales, or income that will have a material impact on liquidity or that would trigger direct or contingent liability, including default or acceleration of obligation other than what was mentioned in the Plan of Operation, The Company has not found any future cash flow problem that would trigger the default or breach of note, loan, lease or other indebtedness or financing arrangement requiring it to make payments of any significant amount. None the trade payables have been unpaid within the staled trade terms. There were no material deficiency in any nature identified and there were no internal and external source of liquidity.

There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There is no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period

There were material commitments for capital expenditures specifically the acquisition of parcels of land as a result of land banking activity details of which already described above.

There are no known trends events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

There is no material change from period to period including vertical and horizontal analyses of any material item, except for land acquisition the details of which is already described in the above captioned land banking activity.

2012

The performance of the Company in terms of sales input significantly improved in the year 2012 as compared with that of the year 2011. This performance is a result of marketing strategies being implemented, and the completion of the Country Club which at present is 98% operational

As of December 31, 2012, the residential area of Phase 1, Phase 2 and Phase 3 are 97%, 98% and 53.00% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

Positively identified sources of additional fund is the completion of housing units which the project contractor reported as 100.00% complete at the end of December 31, 2012. Another bright future seen in the coming years is the plan of the National Government on the expansion of the MRT/LRT from Quezon City LRT (from Welcome Rotonda through Commonwealth Avenue and its proposed extension via Quirino Highway to Norzaragay) and the EDSA LRT will provide faster, easier access to and from Metro Manila.

Key Performance Indicators

The Company operates in one business segment, the real estate. The following Key Performance Indicators were adopted by the corporation in order to measure the profitability of the Company and to provide management with a measure on the financial strength, liquidity and ability to maximize the value of its stockholders' investments.

	As Dec 31, 2012	As of Dec 31, 2011
Current Ration (1)	2.1400 : 1	7.492 : 1
Debt to Equity Ratio (2)	1 : 0.2565	1 : 0.0352
Earnings per Share (3)	1 : 0.0170	1 : 0.0016
Earnings before interest and Income Taxes (4)	P41.418 million	P4.096 million
Return on Equity	0.0223	0.0022

1) Current Assets / Current Liabilities
2) Total Liabilities / Stockholders' Equity
3) Net Income / Outstanding Shares
4) Net Income plus Interest Expenses and Provision for Income Tax
5) Net Income / Average Stockholder's Equity

There are no known trends, events or uncertainties with significant impact on net sales, or income that will have a material impact on liquidity or that would trigger direct or contingent liability, including default or acceleration of obligation other than what was mentioned in the Plan of Operation, The Company has not found any future cash flow problem that would trigger the default or breach of note, loan, lease or other indebtedness or financing arrangement requiring it to make payments of any significant amount. None the trade payables have been unpaid within the staled trade terms. There were no material deficiency in any nature identified and there were no internal and external source of liquidity.

There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There is no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period

There were material commitments for capital expenditures specifically the acquisition of parcels of land as a result of land banking activity details of which already described above.

There are no known trends events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

There is no material change from period to period including vertical and horizontal analyses of any material item, except for land acquisition the details of which is already described in the above captioned land banking activity.

2011

The performance of the Company in terms of sales input significantly improved in the year 2011 as compared with that of the year 2010 this performance is a result of marketing strategies being implemented, the near completion of the Country Club has also contributed the said performance.

As of December 31, 2011, the residential area of Phase 1, Phase 2 and Phase 3 were 94.13%, 92.11% and 45.00% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer

Positively identified sources of additional fund are the completion of housing units which the project contractor reported 100.00% complete as at end of December 31, 2012. Another bright future seen in the coming years is the plan of the National Government on the expansion of the MRT/LRT from Quezon City LRT (from Welcome Rotonda through Commonwealth Avenue and its proposed extension via Quirino Highway to Norzaragay) and the EDSA LRT will provide faster, easier access to and from Metro Manila.

2010

The business operation for the year 2010 has fully recovered from the 2008 economic turmoil evidenced by continuous favorable outcome of the Company's sales target during the year. The Phase II Sales Production performs full scale complemented by the launching of Phase III which also shows good market standing.

Based on market strategy and analysis the management believed that another source of fund inflows will be generated upon completion of the 3.96 hectares Club House and Recreation Building which was reported by the Engineer in-charge to be 70.00% complete as of December 31, 2010.

Another potentially positive source of income that the Company expects in year 2011 is the completion of housing units which will be 50.00% complete at end of December 31, 2010, as reported by the Engineer hired by the Company.

Aside from its land banking activities the Company wants to concentrate on its land development project by way of building middle and socialize or upper-class housing and other infrastructure project such as commercial complex.

(2) **Analysis of Financial Condition and Results of Operations.**

The full detail of the analysis of financial condition and results of operations is stated in the audited financial statement which is form part of this report.

Cash. The carrying amounts of cash and cash equivalents approximate fair values primarily due to relatively short-term maturity of these financial instruments. The movement in cash is attributable to the net cash flows generated by the Company in its operating activities.

Receivables. The total gross amount of individually impaired receivables amounted to ₱189.847 million and ₱166.153 million as of December 31, 2013 and 2012, respectively. These receivables were fully provided with allowance for impairment losses both in 2013 and 2012.

Installment receivables consist of amounts arising from sale of non-operating properties in 2005 and repayable in fixed monthly payment of P2.0 million beginning January 24, 2006. Installment receivables were discounted using the credit-adjusted risk-free rates prevailing at the time of the sale which resulted to an effective interest rate of 9.45%. Interest income from accretion recognized in 2013, 2012 and 2011 amounted to ₱0.00 million, ₱1.42 million and ₱4.73 million, respectively

Advances to affiliates, officers and employees, suppliers and others are non-interest bearing and are due within 12 months from balance sheet date.

As of December 31, 2013 and 2012, allowance for impairment losses on individually impaired receivables amounting to P57.317 million and P37.63 million respectively

Real Estate for Sale and Development. decreased in the Real Estate for sale and development represents cost of lot sold during the year 2013,

Property and Equipment. The net movement in property and equipment account pertains to the recognition of provision for depreciation by the Company amounting to ₱2.950 million partially offset by acquisition of additional property and equipment in the amount of ₱1.334 million.

In 2012 the Company entered into a Contract to Sell agreement with Don Manuel Corporation, owner of parcels of land located at San Jose Del Monte, Bulacan with a total lot area of Four Hundred Ten Thousand Three Hundred Seventy Seven (410,377) square meters, another Contract to Sell agreement signed by the Company with the BDO Strategic Holdings, Inc, owner of parcels of land located also at San Jose Del Monte, Bulacan with a total lot area of Nine Hundred Twenty Six Thousand Five Hundred Fifty (926,550) square meters the details of which is already described above as part of land banking activity.

Other Assets (net). Movement in other assets account represents deferred interest expense from the acquisition of property on installment terms at 8% interest rate per annum and as well as Input Vat from acquisition of land during the period .

Accounts payable and accrued expenses. The movement in accounts payable and accrued expenses account was basically caused by the realization of clients deposits from sale of lots from real estate project and as will as normal accounting recording of accrual of payables vis-a-vis payments and the current portion of payables from the acquisition of land on installment.

Loans Payable. The loans represents the non-current payable from the acquisition of land on installment .

Output VAT Payable. The movement of Output VAT account represents normal recording of Input and Output VAT.

Capital stock and Capital Surplus. There were no movements in the number of issued shares during the year.

Income. The Company recorded a Net Income (loss) before income tax of ₱33.837 million, (₱41.418 million , ₱4.096 million, in 2013, 2012, and 2011, respectively.

Other Revenue. Interest and other income generated from installment sales from various lot buyers during the period.

ITEM 7 FINANCIAL STATEMENTS

The Audited Financial Report, Financial Supplementary and as well as Statement of Management's Responsibility for Financial Statement for the year ended December 31, 2013 has been incorporated hereto under caption "Annex A"

ITEM 8 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING & FINANCIAL DISCLOSURE.

The Company has no disagreement with the SGV & CO. regarding matters of accounting principle, practice, auditing scope and procedure.
Aggregate fees for the audit services for those fiscal years

Period covered	Amount of fees
For the year 2013	P614,017.70
For the year 2012	P548,568.25
For the year 2011	P548,568.25

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS and EXECUTIVE OFFICERS

(1) Directors and Executive Officers

The incumbent directors and executive officers of the Company are as follows:

Name	Age	Position Held	Citizenship
Gregorio Ma. Araneta III	65	Director - Chief Executive Officer / Chairman	Filipino
Crisanto Roy B. Alcid	43	Director – President	Filipino
Carlos R. Araneta	68	Director-Treasurer	Filipino
Santiago Araneta	41	Director	Filipino
Perry Pe	51	Independent Director	Filipino
Luis M. Araneta	29	Director	Filipino
Alfredo de Borja	68	Independent Director	Filipino
Alfredo D. Roa III	65	Independent Director	Filipino
Alfonso M. Araneta	29	Director	Filipino
Christine P. Base	43	Corporate Secretary	Filipino

Directors

GREGORIO MA. ARANETA III, 65 years old, Filipino, is the Chairman of the Board, CEO and Director of the Company. He is also the Chairman of the Board of Autobus Transport Systems, Inc., Gregorio Araneta Management Corp., Gamma Holdings Corp. and Gamma Properties, Inc. Mr. Araneta is the President of Araza Resources Corporation, Envirotest Corporation, Enviroclean Corporation and Carmel Farms, Inc. He is also a Director of LBC Development Bank and Asia International Travel Corporation.

CRISANTO ROY B. ALCID, 44 years old, Filipino, is the President and one of the Directors of the Company. He is concurrently the President of Envirotest, Inc, and Carmel Development Corp., and Roycomm Holdings, Inc. He is also Executive Vice President of Gregorio Araneta Management Corporation, Gregorio Araneta, Inc., and Araza Resources Corporation. Before joining the Araneta Group, he was formerly connected with Ayala Land, Asiatrust Development Bank and Citibank N.A. Mr. Alcid holds a Bachelor of Science Degree in Management Engineering from Ateneo de Manila University and has completed the General Management Program of the Harvard Business School.

CARLOS R. ARANETA, 68 years old, Filipino, is one of the Directors and the Treasurer of the Company. He was the Chairman of the Board of the following local companies: LBC Properties, Inc., LBC Development Corporation, LBC Development Bank, Inc., LBC Express, Inc., LBC Mabuhay Development Philippine Corporation, LBC Domestic Franchise Co., Inc., and LBC Airways, Inc. He was the Chairman of the Board of LBC Holdings USA Corp., LBC Mabuhay USA Corp., LBC Mabuhay North America Corp., LBC Mabuhay Hawaii Corp., LBC Mabuhay Saipan Corp., LBC Mabuhay Italy Corp., and LBC Travel USA Corp. Mr. Araneta holds a Bachelor of Science Degree in Business Administration from Boston University University. He earned his Bachelor of Laws Degree at the Ateneo de Manila University Law School.

ALFREDO DE BORJA, 69 years old, Filipino, is one of the Directors of the Company. He is also the President and Director of Makiling Ventures, Inc. (real estate development) and E. Murio, Inc. (furniture manufacturing & exporter), Director ICCP Ventures, Inc., ICCP Management Corp., Rustans Supercenters, Inc., RFM-Science Park of the Phils., Regatta-Beacon Land Corp., Regatta Properties, Inc., Pueblo de Oro Development Corp., Cebu Light Industrial Park, Inc. and Araneta Properties, Inc..

Past Positions: President – Gervel, Inc. (1973-1986), Director and Chairman – Executive Committee of First Metro Investment Co. (1978-1983), Director & Vice President of Iligan Cement Corp., (1973-1977), Professorial Lecturer – University of the Philippines "Graduate School of Business Administration" (1971-1977), Executive Asst to the Vice President – Philippine Long Distance Telephone Co. (1970-1973) and Executive Asst. to the Vice President – Investment Managers, Inc. (1966-1968).

PERRY L. PE, 52 years old, Filipino, is one of the Directors of the Company. He was also appointed Director of SingLand in 1999. He is a lawyer and Partner in Messrs. Romulo, Mabanta, Buenaventura, Sayoc & De Los Angeles Law Firm. He is also the Chairman of Steniel Manufacturing Corporation, a publicly-listed company in the Philippines.

SANTIAGO G. ARANETA, Filipino, 41, is the Chairman and CEO of LBC Express, Inc., the largest cargo, courier and remittance company in the Philippines. He is also the Chairman of LBC Mabuhay Hawaii Corporation, LBC Mabuhay Saipan Corporation and LBC Holdings USA Corp., a Director and Treasurer of LBC Properties Inc., a Director for Advanced Global Systems Inc. and LBC Mundial Inc. and Executive Vice President of LBC Development Corporation.

Mr. Santiago G. Araneta is likewise one of the Trustees of LBC's foundation, LBC Hari ng Padala Foundation, Inc. He is also the Chairman of the United Football League, the Philippines' premier professional football league. For the year 2013, Santiago Araneta was nominated as Ernst and Young's CEO. Since 2003, he has been an active member of the Philippine chapter of the Entrepreneur Organization. Mr. Araneta graduated in De La Salle University, Manila where he obtained his degree in Bachelor of Arts Major in Management.

LUIS M. ARANETA, Filipino, 28 years old, is currently the Business Development Manager of Araneta Properties, Inc. He was elected Director of the Company in 2012. He is the President of Estancias Holdings, Inc. and Cerros Corp, Vice-President and Treasurer of ARAZA Resources Corporation, Director and Corporate Secretary of Carmel Development, Inc, Director of PAGREL, Inc., and Corporate Secretary of Gamma Properties, Inc. Mr. Araneta studied at the Pace University in New York City where he earned his degree in Business Administration in Management.

ALFREDO D. ROA III, 64 years old, Filipino, is one of the Directors of the Company. He is presently the President of Inland Corporation and Rural Bank of Alfonso.

ALFONSO ARANETA, , Filipino, 29, is currently the Executive Vice-President and Director of Envirotest, Inc., Vice President and Director of Carmel Development, Inc., Vice-President and Director of Gregorio Araneta, Inc. Concurrently, he is Director of ARAZA Resources Corp., ATSI PETC, Inc. Pagrel, Inc., Gamma Properties, Inc., Securicor Security Investigation Services, Inc., and Alumma Foods, Inc. Mr. Araneta studied at the De La Salle-College of St. Benilde, Manila with a BS Business Administration degree, majoring in Business Management.

Key Officers

The members of the management team aside from those mentioned above are as follows:

CHRISTINE P. BASE, Filipino, 43 years old, is the Corporate Secretary of Araneta Properties, Inc. and is currently a Corporate and Tax Lawyer at Pacis and Reyes, Attorneys and the Managing Director of Legisforum, Inc. She is a Director and Corporate Secretary of Anchor Land Holdings, Inc. and the Corporate Secretary of Asiasec Equities, Inc. She is also director and corporate secretary of several private corporations. She was an Auditor and then Tax Lawyer of Sycip, Gorres, Velayo & Co. She is a graduate of Ateneo De Manila University School of Law with a degree of Juris Doctor. She passed the Bar Examination in 1997. Ms. Base is also a Certified Public Accountant. She graduated from De La Salle University with a Bachelor of Science Degree in Commerce Major in Accounting.

JOSE O. EUSTAQUIO, III, Filipino, 66 years old, is presently the Chief Financial Officer of Araneta Properties, Inc. He was a consultant of Honda Cars Makati and Honda Cars Cebu from 2007 to 2008. In 1987, he was the Financial Control Officer of Ayala Corporation (Control and Analysis Division). He was the Chief Finance Officer of Ayala Corporation for Ayala Theaters Management, Inc., Ayala Property Management Corporation, and Ayala Alabang Commercial Corporation from 1982 to 1987. He was a staff Auditor of Sycip, Gorres, Velayo & Co. Mr. Eustaquio is a Certified Public Accountant. He graduated from Philippine School of Business Administration with a Bachelor of Science Degree in Commerce Major in Accounting.

(2) Significant Employees

There were no employees identified for disclosure to which the operational decisions and strategies of the Company are entirely dependent on them.

(3) Family relationship.

Messrs. Gregorio Ma. Araneta III and Carlos R. Araneta are related to the fourth civil degree of consanguinity. Moreover, Mr. Alfonso Araneta as well as Mr. Luis Araneta are children of Mr. Gregorio Ma. Araneta III. Lastly, Mr. Santiago Araneta is the son of Carlos R. Araneta. There are no family relationships within the fourth degree among the rest of the members of the Board of Directors and Senior Officers of the Company.

(4) Involvement in Certain Legal Proceedings

The Company is not aware of any bankruptcy petition of any civil or criminal legal proceedings filed against any one of its directors or executive officer during the past three (3) years.

ITEM 10. MONTHLY EXECUTIVE COMPENSATION

(1) Compensation Table

Compensation of the Chief Executive Officer and Managers of the Company are accrued and paid for the years 2012 and 2011 detailed below. All other directors of the Company assumed their positions and served the Company without any compensation.

Name and Principal Function	Fiscal Year	Salary	Bonus	Other Compensation
Gregorio Ma. Araneta III * Director and CEO	2011 2012 2013			
Crisanto Roy Alcid*	2011			

President	2012 2013			
Carlos D. General* Vice President Resigned Jan. 11, 2013	2011 2012 -			
Rhoan Purugganan* Legal Head	2011 2012 2013			
Jose O. Eustaquio III Chief Finance Officer	2012 2013			
TOTAL FOR THE GROUP	2011 2012 2013	5,820,000.00 7,420,000.00 6,370,000.00		
Other Officers as a group unnamed	2011 2012 2013	3,487,200.00 3,835,920.00 3,998,400.00		

* Key officers

Employment contracts of all Supervisors and Rank are all hired as long-term employment period until regularization or termination of any cause.

(2) Compensation of Directors and Officers

(a) Standard Arrangements

Compensation of the Chief Executive Officer and Managers of the Company are accrued and paid for the years 2013, 2012 and 2011. All other directors of the Company assumed their positions and served the Company without any compensation.

(b) Other Arrangements

No compensatory arrangements were executed during the last three (3) years of operations other than the compensation arrangements mentioned above.

(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Employment contracts of all supervisors and rank in file employees are standard.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS and MANAGEMENT

(1) Security Ownership of Certain Record and Beneficial Owners

There were no delinquent stocks of the Company as of December 31, 2013. The direct and indirect record and beneficial owners of more than five percent (5%) of the Company's voting securities as of December 31, 2013 are as follows:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Nature of ownership	Percent Held
Common	Carmel Development, Inc. 21/F Citibank Tower Paseo de Roxas, Makati City	Nominee: Gregorio Ma. Araneta III	Filipino	499,999,997	Direct	32.03%
Common	Gamma Properties, Inc., 21/F Citibank Tower Paseo de Roxas, Makati City	Nominee: Gregorio Ma. Araneta III	Filipino	**264,472,892**	Direct	15.78%
Common	PCD Nominee	Various clients & Philippine Depository & Trust Corp. (PDTC)	**Filipino**	756,815,031		48.48%
Common	LBC Express, Inc. LBC Express, Inc. General Aviation Center, Domestic Airport Compound, Pasay City, Metro Manila		Filipino	95,043,074	Director	12.49%
Common	Olongapo Mabuhay Express Corp. LBC Compound Aviation Airport Road, Pasay City	Nominee:	Filipino	124,855,422	Direct	8.00%

(2) Security Ownership of Management

The following is a summary of the aggregate shareholdings of the Company's directors and executive officers in the Company and the percentage of their shareholdings as of December 31, 2013:

Title of Class	Name & Address of Beneficial Owner	No. of shares & nature of Beneficial Ownership	Citizenship	Nature of Ownership	Percent of Class (%)
Common	Gregorio Ma. Araneta 21/F Citibank Tower, Paseo de Roxas, Makati City	120,060	Filipino	***r & b***	0.0096
Common	Carlos R. Araneta RMS 801-802, PSE Plaza, Ayala Triangle, Ayala Ave., Makati City	21,660	Filipino	***r & b***	0.0017
Common	Santiago Araneta LBC Express, Inc. General Aviation Center, Domestic Airport Compound, Pasay City, Metro Manila	85,800	Filipino	***r & b***	0.0054
Common	Perry L. Pe Romulo Mabanta Law Offices 30/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	***r & b***	0.0000
Common	Alfredo de Borja Unit 300, Milelong Bldg. Amorsolo St. Legaspi Village,	1	Filipino	***r & b***	0.0000

	Makati City				
Common	Alfredo D. Roa III 119 Avocado Dr., Ayala Alabang, Muntinlupa City	1	Filipino	***r & b***	0.0000
Common	Crisanto Roy B. Alcid 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	***r & b***	0.0000
Common	Alfonso Araneta 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	***r & b***	0.0000
Common	Luis Araneta 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	***r&b***	0.0000
	TOTAL FOR THE GROUP				**0.0113**

r – record ownership
b – beneficial ownership

ITEM 12. CERTAIN RELATIONSHIPS and RELATED PARTY TRANSACTIONS

As of 31st December 2013, stockholders Carmel Development Inc., Gamma Properties, Inc., and LBC Express, Inc. held more than (10%) each of the securities of the Company broken down as follows:

SECURITY	CLASS	AMOUNT	NATURE	PERCENTAGE
Carmel Development, Inc.	Common	499,999,997	Direct	32.03%
Gamma Properties, Inc.	Common	136,000,000	Direct	8.71%
LBC Express, Inc.	Common	95,043,074	Direct	12.49%
Olongapo Mabuhay Express Corp.	Common	124,855,422	Direct	8.00%

Messrs. Gregorio Ma. Araneta III and Carlos R. Araneta are related to the fourth civil degree of consanguinity. Moreover, Mr. Alfonso Araneta a well as Mr. Luis Araneta are children of Mr. Gregorio Ma. Araneta III. Lastly, Mr. Santiago Araneta is the son of Carlos R. Araneta. There are no family relationships within the fourth degree among the rest of the members of the Board of Directors and Senior Officers of the Company.

PART IV – EXHIBITS and SCHEDULES

ITEM 14. EXHIBITS AND SCHEDULES

(a) Reports on SEC Form 17-C

Date of Report	Nature of Item Reported
November 20, 2013	Election of officer/directors

(b) Exhibits

1) Annex ____ General Notes to Financial Statement (pls. see Audited Financial Report)
2) Annex ____ Balance Sheet
3) Annex ____ Income Statement
4) Annex _____ Schedules

Schedule A.. - Marketable Securities (current marketable equity securities and other short-term cash investments).

Schedule B. - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties).

Schedule C. - Non-current marketable equity securities, other long-term investments in stock, and other investments.

Schedule D. - Intangible Assets – Other Assets.

Schedule E. - Long Term Debt

Schedule F. - Indebtedness to Related Parties.

Schedule G. - Guarantees of Securities of other Issuer (1).

Schedule H. - Capital Stock.

Schedule I. - Supplementary Schedule Required under SRC Rule 68, as amended (2011)

Schedule J. - Security of Ownership/Ownership held by CEO

Schedule K. - Schedule of Property, Plant & Equipment & Related Depreciation

SIGNATURES

Pursuant to the requirements of Securities Regulation of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, the City of Makati on April 11, 2014.

ARANETA PROPERTIES, INC.
(Issuer)

SIGNATURES

Pursuant to the requirements of Securities Regulation of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, the City of Makati on April 11, 2014.

ARANETA PROPERTIES, INC.
(Issuer)

By:

GREGORIO MA. ARANETA
Chairman of the Board and CEO

CRISANTO ROY B. ALCID
President

JOSE O. EUSTAQUIO III
Chief Finance Officer

CHRISTINE P. BASE
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of APR 14 2014 ____, 2014 affiant(s) exhibiting to Makati City me their valid identification card:

NAMES	ID.	DATE OF ISSUE	PLACE OF ISSUE
Gregorio Ma. Araneta III	Passport No. XX1328189	June 04, 2008	Manila, Philippines
Crisanto Roy B. Alcid	Drivers License N01-88-077406	Expiry Oct. 25, 2014	Quezon City, Philippines
Christine P. Base	Passport No. XX4766696	October 15, 2009	Manila, Philippines
Jose O. Eustaquio III	Senior Citizen ID No. 13828	August 22, 2007	

known to me and known to be the same persons who executed the foregoing instrument and acknowledge to me that the same are their free and voluntary act and deed.

Doc. No. 186
Page No. 38
Book No. I
Series of 2014.

MARICON A. ALMONTE
Roll No. 60980, Commission No. M-18
MCLE Compliance No. IV-0013723
Notary Public for Makati City until 31 December 2015
PTR No. 4233020, Makati City, 6 January 2014
IBP Lifetime Roll No. 010731/March 6, 2012/RSM Chapter
Pacis & Reyes Law Office
8/F, Chatham House, 116 Valero cor. V.A. Rufino Sts.
1227 Salcedo Village, Makati City, Tel. No. 843390

Marketable Securities - (Current Marketable Equity Securities and Other Short-term Cash Investments)

Name of Issuing Entity and association of each issue (1)	Number of shares or Principal amount of bonds and notes	Amount shown in the balance sheet (2)	Value based on market quotation at balance sheet date (3)	Income received and accrued
	NONE - NOT APPLICABLE			

ARANETA PROPERTIES, INC. Schedule B

As of December 31, 2013

Amounts of Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor (1)	Balance at Beginning Of period	Additions	Amount Collected/ Liquidated & reclass (2)	Amounts written off & allow for D/A (3)	Balance at end of period
Impaired Installment Receivable	53,278,867	-	-	78,313	53,357,180
Receivable from Trade	167,614,003	166,015,530	(144,128,978)	-	189,500,555
Sub-total	***220,892,870***	***166,015,530***	***(144,128,978)***	***78,313***	***242,857,735***
Advances to Supplies, Officers *and* Others					
Unimpaired	186,580	1,924,238	-	-	2,110,818
Impaired	247,759	-	-	(117,076)	130,683
Sub-total	***434,339***	***1,924,238***	***-***	***(117,076)***	***2,241,501***
Total	**221,327,209**	**167,939,768**	**(144,128,978)**	**(38,763)**	**245,099,236**
Less: Provision for D/A	55,174,031	-	-	78,313	55,252,344
Net	**166,153,178**	**167,939,768**	**(144,128,978)**	**(117,076)**	**189,846,892**

ARANETA PROPERTIES, INC. Schedule C

As of December 31, 2013

Non-Current Marketable Equity Securities, Other Long-Term Investments In Stock, and Other Investments

Name of Issuing entity and description of investments	Number of shares of Principal amount of	Amounts in Pesos	Equity in earnings (losses) of	Distribution of earnings by Investees	Number of shares of principal amount of	Amount in Pesos	Dividends received from Investments not accounted for by the equity method

(1)	bonds And Notes (2)		Investees for the period (3)	(5)	bonds and notes (2)	(7)	
Tagaytay Midland	1	1,000,000	n/a	n/a	n/a	n/a	n/a
Subic Yacht Club, Inc.	1	1,500,000	n/a	n/a	n/a	n/a	n/a
Alphaland Balesin Island Resorts Corp	1	1,000,000	n/a	n/a	n/a	n/a	n/a
Colinas Verdes Country Club, Inc	1	700,000	n/a	n/a	n/a	n/a	n/a
Allow for AFS		(1,830,000)					
Net		**2,370,000**					

ARANETA PROPERTIES, INC. Schedule D

As of December 31, 2013

Intangible Assets - Other Assets

Description (1)	Beginning Balance	Additions At costs Reclassify-cation (2)	Charged to Cost and Expenses (provision for D/A) or Writ off	Others Additions (Deduction/Sold) Input tax applies to Recoverable Tax (VAT) and statutory Income tax	Balance at End of Period
Deferred Income Tax Assets	16,626,852	-	-	(3,211,475)	13,415,377
Investment property	5,444,076	-	-	-	5,444,076
Claims to tax credits & Others	5,000	-	-	-	5,000
Input Vat	36,915,374	841,508	-	-	37,756,882
Deposits	71,032,790	40,144,991	-	(24,174,022)	87,003,759
Total	**130,024,092**	**40,986,499**	**-**	**(27,385,497)**	**143,625,094**

ARANETA PROPERTIES, INC. Schedule E

As of December 31, 2013

Long Term & Short-term Debt

Title of Issue and Type of Obligation (1)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance	Amount shown under caption "Long-term debt" in related balance sheet (3)

		sheet (2)	
Acquisition of land on installment	-0-	-0-	-0-

Schedule F

ARANETA PROPERTIES, INC.
As of December 31, 2013
Indebtedness to Related Parties (Long-term Loans from related Companies)

Name of Related Parties (1)	Balance at beginning of period	Balance at end of period (2)
	NONE - NOT APPLICABLE	

ARANETA PROPERTIES, INC. Schedule G
As of December 31, 2013

Guarantees of Securities of Other Issuer (1)

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each of securities guaranteed	Total amount guaranteed and outstanding (2)	Amount owned by person for which statement is filed	Nature of guarantee (3)
	NONE - NOT APPLICABLE			

Schedule H (1)

Capital Stock (1)

Title of Issue (2)	Common
Number of Shares Authorized	5,000,000,000
Number of share issued and outstanding as shown under related balance sheet caption	1,561,110,070

Number of shares reserved for options, warrants, conversion and other rights	None
Number of shares held by related parties (3)	1,062,784,987
Shares held by Directors, officers & employees	141,726
Others	498,183,357

Schedule H (2)

Company's track Record

Date of registration (SEC approval)	Description	Number of shares (in 000's)	Par value Per share	Amount of share (in 000's)
1988	Capital upon registration			
	Class A	30,000,000	P0.01	P300,000
	Class B	20,000,000	0.01	200,000
1992	Change of par value from P0.01 to P1.00			
	Class A	150,000	P1.00	P150,000
	Class B	100,000	1.00	100,000
1994	Change of par value from P1.00 to P0.30			
	Class A	150,000	P0.30	P45,000
	Class B	100,000	0.30	30,000
1995	Increased in authorized Capital stock and removal of classification of shares of stock	1,000,000	P0.30	P300,000
1996	Increased in authorized Capital stock and change of par value from P0.30 to P1.00	5,000,000	P1.00	P5,000,000

As of December 31, 2012 and 2011, there were no movements in the Company's registered securities.
There are 2,491 shareholders who hold 1,561,110,070 shares as of December 31, 2012.

ARANETA PROPERTIES, INC. Schedule J (1)

Security ownership of certain beneficial owners and management

As of December 31, 2013

SECURITY OWNERSHIP

Name of Company	Class	Number of shares	Nature	Percentage

Carmel Development, Inc. (of which 99% held by Gregorio Ma. Araneta III)	Common	499,999,997	Direct	32.03%
Gamma Properties, Inc. (of which 50% held by Gregorio Ma. Araneta III)	Common	136,000,000	Direct	8.71%
Olongapo Mabuhay Express Corp. (of which 80% held by Ma. Joy A. Cruz)	Common	124,855,422	Direct	8.00%

Schedule J (2)

OWNERSHIP HELD BY CEO and FOUR (4) HIGHLY COMPENSATED EXECUTIVE OFFICERS.

-Name of Executive	Position	Total ownership held	Compensation
Gregorio Ma. Araneta III	Chairman / President - CEO and Director	60 % of outstanding shares	None
Crisanto Roy B. Alcid	Executive Vice President	1 share	None
Carlos D. General	Vice President	None	None
Robertina Fuerte	Management Officer	None	None
Michael Jeffrey Espina	Management Officer	None	None

ARANETA PROPERTIES, INC. Schedule K-1

Supplemental Statement of Financial Report

As of December 31, 2013

PROPERTY, PLANT and EQUIPMENT

Classifications	Beginning Balance	Additions	Retired or Reclass	Balance
Office condominium unit	46,047,004			46,047,004
Building and Improvements	13,693,322			13,693,322
Machinery and Equipment	4,486,929			4,486,929
Transportation & Hauling Equipt	6,043,111	209,000		6,043,111
Furniture, Fixtures & Other Equipt	7,990,343	192,161		7,990,343
Total (at cost)	**78,260,710**	**401,161**		**78,260,710**

ARANETA PROPERTIES, INC. Schedule K-2

Supplemental Statement of Financial Report

As of December 31, 2013

ACCUMULATED DEPRECIATION – PROPERTY and EQUIPMENT

Classifications	Beginning Balance	Additions	Retired or Reclass	Balance
Office Condominium unit	27,598,969	1,841,881	-	27,598,969
Building and Improvements	11,559,795	547,733	-	11,559,795
Machinery and Equipment	4,486,929	-	-	4,486,929
Transportation and Hauling Equipt	5,309,026	270,875	-	5,309,026
Furniture, Fixtures and Other Equipt	7,528,897	211,808	-	7,528,897
Total (at cost)	**56,483,616**	**2,872,297**	**-**	**56,483,616**

Property and equipment are being depreciated using Straight-Line method.

Araneta Properties, Inc.

Financial Statements
December 31, 2013 and 2012 and
For Each of the Three Years in the Period Ended
December 31, 2013

and

Independent Auditors' Report

SGV
Building a better
working world

ARANETA PROPERTIES, INC.

21ST FLOOR CITIBANK TOWER PASEO DE ROXAS, SALCEDO VILLAGE, MAKATI CITY PHILIPPINES 1200
PHONE: (632)8481501 TO 04 • FAX: (632)848-1495•E-MAIL ara@info.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Araneta Properties, Inc. is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein:

a. Schedule of all the effective standards and interpretations as of reporting date
b. Supplementary schedules required by Annex 68-E

in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip, Gorres, Velayo and Company, the independent auditors, appointed by the stockholders for the years ended December 31, 2013 and 2012 has examined the financial statements of the company in accordance the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

The Chairman of the Board, the President and Chief Finance Officer shall all sign the Statement of Management's Responsibility (SMR) as prescribed by this Rule. If provided in the company's by-laws, persons holding equivalent position as that of the aforementioned signatories shall sign the statement. **The failure of any of the prescribed signatories to sign the SMR constitutes a material deficiency in the financial statements. The SMR should be dated on or after the auditor's report date.**

GREGORIO MA. ARANETA III
Chairman of the Board *and* C.E.O

CRISANTO ROY B. ALCID
President

JOSE O. EUSTAQUIO III
Chief Finance Officer

ACKNOWLEDGMENT

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

SUBSCRIBED AND SWORN to before me this 15th day of April, 2014 at Makati City, Philippines, affiant exhibiting to me their identification card as follows:

Name	Identification Card No.
Gregorio Ma. Araneta III	TIN: 136-998-184
Crisanto Roy B. Alcid	TIN: 107-973-163
Jose O. Eustaquio III	TIN: 108-128-015

Doc. No. 188;
Page No. 38;
Book No. I;
Series of 2014.

MARICON A. ALMONTE
Roll No. 60980, Commission No. M-18
MCLE Compliance No. IV-0013723
Notary Public for Makati City until 31 December 2015
PTR No. 4233020, Makati City, 6 January 2014
IBP Lifetime Roll No. 010731/March 6, 2012/RSM Chapter
Pacis & Reyes Law Office
8/F, Chatham House, 116 Valero cor. V.A. Rufino Sts.
1227 Salcedo Village, Makati City, Tel. No. 8433906

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Araneta Properties, Inc.
21st Floor, Citibank Tower
Paseo de Roxas, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Araneta Properties, Inc., which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Araneta Properties, Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulation 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under revenue Regulation 15-2010 in Note 20 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Araneta Properties, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

John T. Villa

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 0783-AR-1 (Group A),
February 9, 2012, valid until February 8, 2015
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-76-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225231, January 2, 2014, Makati City

April 14, 2014

ARANETA PROPERTIES, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31, 2013	December 31, 2012 (As Restated; Note 2)	January 1, 2012 (As Restated; Note 2)
ASSETS			
Cash and Cash Equivalents (Note 4)	**₱17,729,917**	₱15,052,871	₱22,041,879
Receivables - net (Note 5)	**180,950,791**	166,153,178	119,234,567
Real Estate for Sale and Development (Notes 6, 10 and 16)	**1,117,236,418**	1,157,778,227	892,150,363
Property and Equipment - net (Note 7)	**20,161,560**	21,777,094	24,248,230
Deferred Income Tax Assets - net (Note 13)	**13,415,377**	15,513,643	19,712,971
Investment Property (Note 8)	**5,444,076**	5,444,076	5,444,076
Input Value-added Tax (VAT) - net	**37,756,882**	36,915,374	–
Available-for-sale (AFS) Investments	**2,370,000**	2,370,000	670,000
Other Assets (Note 11)	**87,003,759**	71,037,790	120,100,431
TOTAL ASSETS	**₱1,482,068,780**	₱1,492,042,253	₱1,203,602,517

LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accrued expenses (Note 9)	**₱56,702,536**	₱78,395,990	₱18,856,891
Loans payable (Note 10)	**204,167,102**	211,248,217	4,058,965
Income tax payable	**9,312,295**	5,653,836	7,360,130
Retirement benefit obligation (Note 12)	**11,121,460**	5,259,700	8,394,700
Output VAT - net	**–**	–	3,166,797
Total Liabilities	**281,303,393**	300,557,743	41,837,483
Equity			
Capital stock - ₱1 par value			
Authorized - 5,000,000,000 shares			
Issued - 1,561,110,070 shares	**1,561,110,070**	1,561,110,070	1,561,110,070
Capital surplus	**154,395,374**	154,395,374	154,395,374
Unrealized valuation losses on AFS investments	**(150,000)**	(150,000)	(150,000)
Actuarial gain (losses) on retirement benefit plan (Note 12)	**(599,587)**	2,898,006	(328,160)
Deficit	**(513,990,470)**	(526,768,940)	(553,262,250)
Total Equity	**1,200,765,387**	1,191,484,510	1,161,765,034
TOTAL LIABILITIES AND EQUITY	**₱1,482,068,780**	₱1,492,042,253	₱1,203,602,517

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012 (As Restated; Note 2)	2011 (As Restated; Note 2)
REVENUE AND OTHER INCOME			
Sale of real estate (Notes 5 and 16)	**₱114,301,070**	₱143,844,130	₱93,826,472
Interest (Notes 4 and 5)	**170,370**	537,916	1,764,373
Rent (Note 8)	**–**	–	2,142,857
Others (Note 5)	**21,654,679**	15,708,236	2,123,368
	136,126,119	160,090,282	99,857,070
COSTS AND EXPENSES			
Costs of real estate sold (Notes 6 and 16)	**40,541,809**	58,361,958	56,946,310
Entertainment, amusement and recreation	**17,673,571**	9,363,740	9,536,105
Salaries and wages	**10,707,220**	8,985,333	8,592,221
Interest (Notes 9, 10 and 19)	**8,699,028**	879,506	219,251
Security services	**6,770,217**	4,522,787	4,708,109
Depreciation (Note 7)	**2,949,702**	2,872,297	3,092,978
Taxes and licenses	**2,638,155**	1,180,703	1,570,807
Building dues and related charges	**1,684,778**	1,550,406	1,404,163
Professional fees	**919,609**	1,784,804	979,714
Retirement benefit expense (Note 12)	**865,198**	1,473,808	1,310,000
Utilities	**738,206**	716,917	590,714
Telecommunications	**717,189**	709,601	772,843
Office supplies	**699,150**	429,059	448,953
Repairs and maintenance	**459,282**	585,286	390,757
Contractual costs	**359,537**	513,110	288,158
Transportation	**307,259**	317,701	327,454
13th month pay	**81,475**	1,151,442	1,295,726
Provision for impairment losses (Note 5)	**78,313**	17,541,445	–
Others	**5,399,400**	5,727,743	3,286,466
	102,289,098	118,667,646	95,760,729
INCOME BEFORE INCOME TAX	**33,837,021**	41,422,636	4,096,341
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 13)			
Current	**17,461,316**	12,112,640	8,568,909
Deferred	**3,597,235**	2,816,686	(7,023,331)
	21,058,551	14,929,326	1,545,578
NET INCOME	**12,778,470**	26,493,310	2,550,763
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified to profit or loss			
Unrealized valuation loss on AFS investment	**–**	–	(10,000)
Items that will not be reclassified to profit or loss			
Actuarial gain (losses) on retirement benefit plan (Note 12), net of tax	**(3,497,593)**	3,226,166	(328,160)
TOTAL COMPREHENSIVE INCOME	**₱9,280,877**	₱29,719,476	₱2,212,603
EARNINGS PER SHARE			
Basic and diluted (Note 14)	**₱0.0082**	₱0.0170	₱0.0016

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Capital Stock	Capital Surplus	Unrealized Valuation Gains (Losses) on AFS Investments	Remeasurement Losses on Retirement Benefit, net of Deferred Taxes	Deficit	Total
Balances at January 1, 2011, as previously reported	₱1,561,110,070	₱154,395,374	(₱140,000)	₱–	(₱555,509,563)	₱1,159,855,881
Effect of adoption of Revised PAS 19	–	–	–	–	(303,450)	(303,450)
Balances at January 1, 2011, as restated	1,561,110,070	154,395,374	(140,000)	–	(555,813,013)	1,159,552,431
Total comprehensive income, as restated	–	–	(10,000)	(328,160)	2,550,763	2,212,603
Balances at December 31, 2011, as restated	**₱1,561,110,070**	**₱154,395,374**	**(₱150,000)**	**(₱328,160)**	**(₱553,262,250)**	**₱1,161,765,034**
Balances at January 1, 2012, as previously reported	₱1,561,110,070	₱154,395,374	(₱150,000)	₱–	(₱552,958,800)	₱1,162,396,644
Effect of adoption of Revised PAS 19	–	–	–	(328,160)	(303,450)	(631,610)
Balances at January 1, 2012, as restated	1,561,110,070	154,395,374	(150,000)	(328,160)	(553,262,250)	1,161,765,034
Total comprehensive income, as restated	–	–	–	3,226,166	26,493,310	29,719,476
Balances at December 31, 2012, as restated	**₱1,561,110,070**	**₱154,395,374**	**(₱150,000)**	**₱2,898,006**	**(₱526,768,940)**	**₱1,191,484,510**
Balances at January 1, 2013, as previously reported	₱1,561,110,070	₱154,395,374	(₱150,000)	₱–	(₱526,468,422)	₱1,188,887,022
Effect of adoption of Revised PAS 19	–	–	–	2,898,006	(300,518)	2,597,488
Balances at January 1, 2013, as restated	1,561,110,070	154,395,374	(150,000)	2,898,006	(526,768,940)	1,191,484,510
Total comprehensive income	–	–	–	(3,497,593)	12,778,470	9,280,877
Balances at December 31, 2013	**₱1,561,110,070**	**₱154,395,374**	**(₱150,000)**	**(₱599,587)**	**(₱513,990,470)**	**₱1,200,765,387**

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱33,837,022**	₱41,422,636	₱4,096,341
Adjustments for:			
Interest expense (Note 19)	**8,699,028**	879,506	219,251
Depreciation (Note 7)	**2,949,702**	2,872,297	3,092,978
Retirement benefit expense (Note 12)	**865,198**	1,473,808	1,310,000
Provision for impairment losses (Note 5)	**78,313**	17,541,445	–
Interest income (Notes 4 and 5)	**(170,370)**	(537,916)	(1,764,373)
Operating income before working capital changes	**46,258,893**	63,651,776	6,954,197
Decrease (increase) in:			
Real estate for sale and development (Notes 6 and 10)	**65,835,783**	57,877,545	66,225,655
Receivables	**(14,797,613)**	(64,257,146)	(56,354,507)
Input VAT (Notes 6 and 10)	**(841,508)**	(933,593)	(1,229,157)
Decrease in accounts payable and accrued expenses	**(41,689,595)**	(25,874,612)	(12,573,696)
Net cash generated from operations	**54,765,960**	30,463,970	3,022,492
Interest received	**92,057**	335,006	343,373
Income taxes paid	**(13,802,857)**	(13,818,934)	(5,501,428)
Interest paid	**(6,915,748)**	–	–
Net cash flows from (used in) operating activities	**34,139,412**	16,980,042	(2,135,563)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other assets	**(23,047,083)**	49,062,641	–
Acquisitions of:			
Property and equipment (Note 7)	**(1,334,168)**	(401,161)	(162,594)
AFS investments	**–**	(1,700,000)	–
Collections from sale of non-operating properties (Note 5)	**–**	–	6,000,000
Net cash flows from (used in) investing activities	**(24,381,251)**	46,961,480	5,837,406
CASH FLOW FROM A FINANCING ACTIVITY			
Payment of loans payable (Note 10)	**(7,081,115)**	(70,930,530)	(1,439,280)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,677,046**	(6,989,008)	2,262,563
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**15,052,871**	22,041,879	19,779,316
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱17,729,917**	₱15,052,871	₱22,041,879

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Araneta Properties, Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on June 15, 1988 to acquire, own, hold, improve, develop, subdivide, sell, lease, rent, mortgage, manage and otherwise deal in real estate or any interest therein, for residential, commercial, industrial and recreational purposes, as well as to construct and develop or cause to be constructed and developed on any real estate or other properties, golf course, buildings, hotels, recreation facilities and other similar structures with their appurtenances; and in general, to do and perform any and all acts or work which may be necessary or advisable for or related incidentally or directly with the aforementioned business or object of the Company. The Company is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since November 14, 1989.

The Company's registered office address is 21st Floor, Citibank Tower, Paseo de Roxas, Makati City.

The financial statements of the Company as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 were authorized for issue by the Board of Directors (BOD) on April 14, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost basis, except for available-for-sale (AFS) investments which are carried at fair value. The financial statements are presented in Philippine peso (₱), which is the Company's functional currency. All values are rounded off to the nearest ₱ except when otherwise indicated.

The financial statements as of and for the years ended December 31, 2013 and 2012 provide information in respect to the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements. An additional statement of financial position as of January 1, 2012 is presented in these financial statements due to the adoption of the revised Philippine Accounting Standard (PAS) 19, *Employee Benefits*.

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The Company applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include Revised PAS 19 and amendments to PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income.*

Several other amendments apply for the first time in 2013. However, they do not impact the annual financial statements of the Company

New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2013

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended standards which the Company has adopted starting January 1, 2013.

Amendment to PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*

The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (i.e., upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance.

Revised PAS 19, *Employee Benefits*

For defined benefit plans, Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income (OCI) and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of Revised PAS 19, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of PAS 19 (Revised), the Company changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the consolidated financial statements are as follows:

	December 31, 2012	January 1, 2012
Increase (decrease) in:		
Statements of Financial Position		
Net defined benefit liability	(₱3,710,697)	₱902,300
Deferred income tax assets	(1,113,209)	270,690
Actuarial gain (losses) on retirement benefit plan	2,898,006	(328,160)
Deficit	(300,518)	(303,450)

	2012
Statements of Comprehensive Income	
Retirement benefit expense	(₱4,189)
Income before income tax	4,189
Income tax benefit	(1,257)
Net income	2,932
Actuarial gain (loss) on retirement benefit plan	4,608,808
Income tax effects	(1,382,642)
Other comprehensive income, net of tax	3,226,166
Total comprehensive income	₱3,229,098
Basic and diluted earnings per share	(0.000002)

The net effect of all transition adjustments as of January 1, 2012 is closed to the "Deficit" account in the statement of financial position. The adoption did not have material impact on the Company's statements of cash flows.

Except for the adoption of the Amendment to PAS 1 and the Revised PAS 19 as discussed above, the accounting policies are consistent with those of the previous financial year. The following new, amended and revised standards and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) were adopted, but did not have any significant impact on the Company's financial statements:

PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans (Amendments)*
The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans.

PFRS 7, *Financial instruments: Disclosures (Amendments) - Offsetting Financial Assets and Financial Liabilities*
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to

recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

PFRS 10, *Consolidated Financial Statements*
The Company adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

PFRS 11, *Joint Arrangements*
PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

PAS 27, *Separate Financial Statements (as revised in 2011)*
As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.

PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Company

Improvements to PFRS (2009-2011 cycle)
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

New Accounting Standards and Philippine Interpretations and Amendments to Existing Standards issued and effective after December 31, 2013
Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to be applied at a future date. The Company intends to adopt those standards and interpretations when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these amended standards and new Philippine Interpretations from IFRIC to have significant impact on its financial statements.

Effective in 2014
- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*
- Amendment to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
- Amendment to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets*
- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
- Philippine Interpretation IFRIC 21, *Levies*

Effective in 2015
- Amendment to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

Improvements to PFRSs
The Annual Improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

2010-2012 Cycle
- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
- PFRS 8, *Operating Segments - Aggregation of Operating Segments* and *Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
- PAS 24, *Related Party Disclosures - Key Management Personnel*
- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

2011-2013 Cycle
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
- PAS 40, *Investment Property*

No Mandatory Effectivity Date
- PFRS 9, *Financial Instruments*

Deferred Effectivity
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

<u>Cash and Cash Equivalents</u>
Cash and cash equivalents consist of cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from date of acquisition and that are subject to an insignificant risk of change in value.

<u>Financial Instruments</u>
Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. The Company determines the classification of its financial instruments on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs.

<u>Financial Assets</u>
The Company's financial assets consist of loans and receivables and AFS financial assets.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS financial assets or designated as at FVPL. This accounting policy mainly relates to the statement of financial position captions “Cash and cash equivalents” and “Receivables”.

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in “Interest” account in the statement of comprehensive income as part of profit or loss. The losses arising from impairment of receivables, if any, are recognized as expense in the statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts.

AFS Financial Assets
AFS financial assets are those investments which are designated as such or do not qualify to be classified as financial assets at FVPL or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurements, AFS financial assets are measured at fair value. Unrealized gains and losses arising from fair valuation of AFS equity investments are reported as part of the “Other Comprehensive Income” section of the statement of comprehensive income.

AFS financial assets whose fair value cannot be reliably established are carried at cost less an allowance for any possible impairment. This normally applies to equity investments that are unquoted and whose cash flows cannot be forecasted reasonably.

When the investment is disposed of, the cumulative gains or losses previously recognized in equity account is recognized as part of net income in the statement of comprehensive income as a reclassification adjustment. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate method. Dividends earned on holding AFS financial assets are recognized when the right to receive has been established which is usually the date of declaration of dividends. The losses arising from impairment of such investments are recognized as provision for impairment losses as part of profit or loss.

The Company has proprietary shares presented as “AFS investments” in the statements of financial position.

Financial Liabilities
The Company’s financial liabilities consist of other financial liabilities.

Issued financial liabilities or their components, which are not designated as at FVPL, are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Company's "Accounts payable and accrued expenses", "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and retirement benefit obligation).

Determination of Fair Value

Certain assets and liabilities are required to be measured or disclosed at fair value at each reporting date. 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:

1. In the principal market for the asset or liability, or
2. 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 best economic interest.

A fair value measurement of 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 asset 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.

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

- Level 1: Quoted (unadjusted) process in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is not observable

The only financial instrument of the Company that is measured at fair value using Level 1 of the fair value hierarchy is its quoted AFS investments. The investments amounted to ₱2.37 million as of December 31, 2013 and 2012. For the years ended December 31, 2013, 2012 and 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

"Day" 1 Difference

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortized Cost
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables and HTM investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss is charged to the statement of comprehensive income. If, in a subsequent year, the amount of the impairment loss decreases because an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Impaired debts are derecognized when they are assessed as uncollectible.

AFS Financial Assets
The Company assesses at each reporting date whether there is objective evidence that an AFS financial asset is impaired.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of "Interest income". If in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed as income through the statement of comprehensive income.

Derecognition of Financial Instruments

Financial Assets

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

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

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Real Estate for Sale and Development

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land cost;
- Amounts paid to contractors for construction;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of property and equipment comprises of its purchase price, including import duties, any nonrefundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to expense in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated or amortized separately.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets or term of the lease, in the case of leasehold improvements, whichever is shorter, as follows:

Category	Number of Years
Office condominium unit	25
Building and improvements	25
Hauling and transportation equipment	5
Furniture, fixtures and other equipment	5
Machinery and equipment	5

The useful lives and method of depreciation are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of both the cost and related accumulated depreciation are removed from the accounts. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of comprehensive income in the year the asset is derecognized.

Fully depreciated and amortized assets are retained as property and equipment until these are no longer in use.

Investment Property

Investment property, comprising parcels of land, is held either to earn rental income or for capital appreciation or both. Investment property is measured initially and subsequently at cost, including transaction costs less any accumulated impairment losses.

Investment property is derecognized when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of the retirement or disposal.

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 PAS 16 up to the date of change in use.

Input VAT

Input VAT represents VAT imposed on the Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT representing claims for refund by the taxation authorities after twelve months from the reporting date is recognized as a noncurrent asset. Input VAT is stated at its estimated NRV.

Other Assets

The Company measures other assets initially at cost, including transaction costs. Subsequent to initial recognition, other assets are stated at cost less accumulated impairment losses.

Other assets are derecognized either when they have been disposed of or when there is no future economic benefit is expected from their disposal and when they are permanently withdrawn from use as initially intended by the management, including land banking activities. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statements of comprehensive income in the period of derecognition.

Impairment of Property and Equipment, Investment Property, Input VAT and Other Assets
These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The fair value less costs to sell 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 less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized as part of net income in the statement of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

Capital Stock and Capital Surplus
The Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds. Capital surplus represents the excess of the investors' total contribution over the stated par value of shares.

Deficit
Deficit includes accumulated profits and losses attributable to the Company's stockholders. Deficit may also include effect of changes in the accounting policy as may be required by the transitional provisions of new and amended standards.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Real Estate
Real estate revenue is accounted for using the percentage of completion method. The percentage of completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the joint venture's supervising engineer percentage of completion report.

Interest Income
Interest income is recognized as it accrues using the effective interest rate method.

Rent Income
Rent income from investment property is recognized in the statement of comprehensive income whenever the realization of income is probable. Rent income is recognized on a straight-line basis over the lease term.

Other Income
Other income is recognized when earned.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are used or the expenses arise.

Cost of Real Estate Sold
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the company's in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Retirement Benefit Expense
The Company has an unfunded, defined benefit retirement plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Interest on the net defined benefit liability
- Remeasurements of net defined benefit liability

Service costs which may include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by multiplying the discount rate based on government bonds times the net defined benefit liability. Interest on the defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Income Taxes

Current Income Tax

Current income tax liabilities for the current and prior year periods are measured at the amount expected to be paid to the taxation authority. 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.

Deferred Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Earnings per Share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the net income attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares issued and outstanding during the period after giving retroactive effect to any stock dividends declared.

Diluted earnings per share is calculated in the same manner, adjusted for the effects of any dilutive potential ordinary shares. Where the effect of the dilutive potential ordinary shares would be anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Events After the Reporting Date

Post year-end events that provide additional information about the Company's position at the reporting date (i.e., 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.

3. Significant Accounting Judgments and Estimates

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the ₱. The ₱ is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sale of goods.

Operating Lease Commitment - as a Lessor

The Company has entered into a lease agreement on its investment property. This lease agreement is accounted for as an operating lease since all significant risks and rewards of the ownership of the property are retained by the Company (see Note 8).

Estimates

Estimating Revenue and Cost Recognition

The Company's revenue arising from the sale of real estate and its related costs in accordance with the Company's joint venture agreement with Sta. Lucia Realty and Development, Inc. (SLRDI), are recognized based on the percentage of completion method and are measured principally on the basis of estimated completion of a physical proportion of the contract work and by reference to the actual costs incurred to date over the estimated total costs of the project as reported by the joint venture's supervising engineer (see Notes 6 and 16). Revenue from sale of real estate amounted to ₱114.30 million, ₱143.84 million and ₱93.83 million for the years ended December 31, 2013, 2012 and 2011, respectively. The related costs of real estate sold amounted to ₱40.54 million, ₱58.36 million and ₱56.95 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Estimating for Impairment of Receivables

The Company evaluates specific accounts where the Company has information that certain customers or third parties are unable to meet their financial obligations. Factors, such as the Company's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered in determining the amount of allowance for impairment that will be recorded. The allowance is re-evaluated and adjusted as additional information is received.

Allowance for impairment losses amounted to ₱55.25 million and ₱55.17 million as of December 31, 2013 and 2012, respectively. Provision for impairment losses on receivables amounted to ₱0.08 million and ₱17.54 million for the years ended December 31, 2013 and 2012, respectively. No provision for impairment losses on receivables was recognized for the year ended December 31, 2011. The carrying amounts of receivables amounted to ₱180.95 million and ₱166.15 million as of December 31, 2013 and 2012, respectively (see Note 5).

Estimating Impairment of Property and Equipment, Investment Property, Input VAT and Other Assets
The Company assesses impairment on these assets whenever events or changes in circumstances indicate that their carrying amounts are no longer recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the cost of disposal. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make judgments and estimates that can materially affect the financial statements.

There were no impairment indicators noted for property and equipment, investment property, input VAT and other assets in for the years ended December 31, 2013, 2012 and 2011. The aggregate carrying amounts of property and equipment, investment property and other assets amounted to ₱150.37 million and ₱135.17 million as of December 31, 2013 and 2012 respectively (see Notes 7, 8 and 11).

Estimating Impairment of AFS Investments
The Company treats AFS investments as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or when is "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" if greater than 6 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities.

If an AFS investment is impaired, an amount comprising the difference between its cost (net of any principal payment) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the recognized earnings. Reversals in respect of equity instruments classified as AFS are not recognized in profit or loss. AFS investments amounted to ₱2.37 million as of December 31, 2013 and 2012.

For the years ended December 31, 2013, 2012 and 2011, there are no recognized impairment losses in AFS investments.

Estimating NRV of Real Estate for Sale and Development
The Company estimate adjustments for impairment losses of real estate for sale and development to reflect the excess of cost of real estate for sale and development over their NRV. NRV of real estate for sale and development are assessed regularly based on selling prices of real estate for sale and development in the ordinary course of business, less the costs of marketing and distribution. The Company provides write-down on the carrying amount whenever NRV of real estate for sale and development becomes lower than cost due to changes in price levels or other causes.

No adjustments on real estate for sale and development were recognized for the year ended December 31, 2013, 2012 and 2011. Real estate for sale and development, at cost, amounted to ₱1,117.24 million and ₱1,157.78 million as of December 31, 2013 and 2012, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As of December 31, 2013 and 2012, the net book values of property and equipment amounted to ₱20.16 million and ₱21.78 million (see Note 7).

Estimating Retirement Benefit Expense
The determination of the Company's retirement benefit obligation and expense is dependent on the management's selection of certain assumptions used by the actuary in calculating such amounts (see Note 12).

Retirement benefit expense amounted to ₱0.87 million, ₱1.47 million and ₱1.31 million for the years ended December 31, 2013, 2012 and 2011, respectively. Actuarial gain (losses) on retirement benefit plan recognized in OCI, net of tax amounted to (₱3.50 million), ₱3.23 million and (₱0.33 million) for the years ended December 31, 2013, 2012 and 2011, respectively. Retirement benefit obligation amounted to ₱11.12 million and ₱5.26 million as of December 31, 2013 and 2012, respectively (see Note 12).

4. Cash and Cash Equivalents

	2013	2012
Cash on hand and in banks	**₱13,223,130**	₱10,546,084
Short-term investments	**4,506,787**	4,506,787
	₱17,729,917	₱15,052,871

Cash with banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest income earned from cash in banks and short-term investments amounted to ₱92,057, ₱335,006 and ₱343,373 for the years ended December 31, 2013, 2012 and 2011, respectively.

5. **Receivables**

	2013	2012
Trade receivables (see Note 16)	**₱178,935,747**	₱165,927,669
Impaired installment receivables (discounted)	**55,025,886**	54,947,572
Advances to suppliers, officers and employees and others:		
Impaired	**226,458**	247,759
Unimpaired	**2,015,044**	204,209
	2,241,502	451,968
	236,203,135	221,327,209
Less allowance for impairment losses	**55,252,344**	55,174,031
	₱180,950,791	₱166,153,178

Trade receivables mainly represent the Company's outstanding balance in its share in the sale of real estate by SLRDI. Collections of interests and penalties arising from late payment of these receivables are recognized as part of "Others" in the "Revenue and Other Income" section in the statements in comprehensive income.

Installment receivables pertain to uncollected portion of the amount arising from the sale of non-operating properties in 2005. The contract price is collectible in fixed monthly payment of ₱2.00 million starting January 24, 2006. Installment receivables were discounted using the credit-adjusted risk-free rates prevailing at the time of the sale which resulted to an effective interest rate of 9.45%. Interest income from accretion recognized in 2013, 2012 and 2011 amounted to ₱0.08 million, ₱0.20 million and ₱1.42 million, respectively. The Company recognizes full allowance on these receivables while they are currently on the process of renegotiating with the management of Platinum Group Metal Corporation (PGMC) with respect to the settlement of the outstanding balance of the installment receivables.

Advances to related parties, suppliers, officers and employees and others are noninterest-bearing receivables and are due within 12 months from the reporting date.

As of December 31, 2013 and 2012, allowance for impairment losses on individually impaired receivables amounted to ₱55.25 million and ₱55.17 million, respectively.

Movements in allowance for impairment losses are as follows:

	2013	2012
Balance at beginning of year	**₱55,174,031**	₱37,632,586
Provision	**78,313**	17,541,445
Balance at end of year	**₱55,252,344**	₱55,174,031

6. **Real Estate for Sale and Development**

	2013	2012
Land for sale and development (see Note 10)	**₱1,031,711,476**	₱1,072,253,285
Undeveloped land	**85,524,942**	85,524,942
	₱1,117,236,418	₱1,157,778,227

Land for Sale and Development
Land for sale and development pertain to land to be developed for residential subdivisions including the land under the joint venture with SLRDI. As discussed in Note 16 to the financial statements, the Company, together with SLRDI, began their regular activities in 2005 based on their joint venture agreement. The land for sale and development covers a land area of 2,070,312 square meters (sqm) and 1,527,891 square meters (sqm) as of December 31, 2013 and 2012, respectively. As of December 31, 2013, the residential area of Phase 1, Phase 2 and Phase 3 are 100%, 100% and 71.38% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer. Also during 2013, Phase 3A and Phase 3B with a percentage of completion of 71.38% as of December 31, 2013, were started.

On August 24, 2012, the Company entered into a contract with Don Manuel Corporation to purchase parcels of land. The net saleable portion from the lot acquired is 388,541 sqm. The purchase price is payable on an installment terms basis over a period of three years.

On December 19, 2012, the Company entered into a contract for the acquisition of land, with a lot area of 926,550 sqm, from BDO Strategic Holdings, Inc. The acquired land is payable within ten years, on an installment basis, with a fixed interest rate of 8% per annum.

Undeveloped Land
Undeveloped land comprises of land for future development and land included in the joint venture agreement with SLRDI. The latter is apportioned for the development of commercial area, country club and a reserved area, either for a golf course or other development depending on market acceptance and condition.

Based on management's evaluation, the NRV of the real estate for sale and development is substantially higher than its cost.

The amount of real estate for sale and development recognized under "Cost of real estate sold" in the statements of comprehensive income amounted to ₱40.54 million, ₱58.36 million and ₱56.95 million in 2013, 2012 and 2011, respectively. No write-down on real estate for sale and development was recognized for the years ended December 31, 2013, 2012 and 2011.

Movement in the real estate for sale and development are set-out below:

	2013	2012
Opening Balance at January 1	**₱1,157,778,227**	₱892,150,363
Land acquired during the year	–	323,505,410
Construction and development costs incurred	–	484,412
Recognized as costs of sales	**(40,541,809)**	(58,361,958)
Balance at December 31	**₱1,117,236,418**	₱1,157,778,227

7. Property and Equipment

2013

	Office Condominium Unit	Building and Improvements	Hauling and Transportation Equipment	Furniture, Fixtures and Other Equipment	Machinery and Equipment	Total
Costs:						
Balances at beginning of year	**₱46,047,004**	**₱13,693,322**	**₱6,043,112**	**₱7,990,343**	**₱4,486,929**	**₱78,260,710**
Additions	**–**	**–**	**1,096,428**	**237,740**	**–**	**1,334,168**
Balances at end of year	**46,047,004**	**13,693,322**	**7,139,540**	**8,228,083**	**4,486,929**	**79,594,878**
Accumulated depreciation:						
Balances at beginning of year	**27,598,970**	**11,559,795**	**5,309,026**	**7,528,896**	**4,486,929**	**56,483,616**
Depreciation	**1,841,880**	**547,734**	**357,849**	**202,239**	**–**	**2,949,702**
Balances at end of year	**29,440,850**	**12,107,529**	**5,666,875**	**7,731,135**	**4,486,929**	**59,433,318**
Net book values	**₱16,606,154**	**₱1,585,793**	**₱1,472,665**	**₱496,948**	**₱–**	**₱20,161,560**

2012

	Office Condominium Unit	Building and Improvements	Hauling and Transportation Equipment	Furniture, Fixtures and Other Equipment	Machinery and Equipment	Total
Costs:						
Balances at beginning of year	₱46,047,004	₱13,693,322	₱5,834,112	₱7,798,182	₱4,486,929	₱77,859,549
Additions	–	–	209,000	192,161	–	401,161
Balances at end of year	46,047,004	13,693,322	6,043,112	7,990,343	4,486,929	78,260,710
Accumulated depreciation:						
Balances at beginning of year	25,757,088	11,012,062	5,038,151	7,317,089	4,486,929	53,611,319
Depreciation	1,841,882	547,733	270,875	211,807	–	2,872,297
Balances at end of year	27,598,970	11,559,795	5,309,026	7,528,896	4,486,929	56,483,616
Net book values	₱18,448,034	₱2,133,527	₱734,086	₱461,447	₱–	₱21,777,094

Fully depreciated machinery and equipment with gross carrying values of ₱16.29 million and ₱14.92 million as of December 31, 2013 and 2012, respectively, are still being used in operations.

8. Investment Property

On January 24, 2005, the Company entered into a contract of lease with PGMC for the lease of the remaining land where the non-operating properties are located. The contract is for a period of 10 years subject to renewal upon mutual consent of both parties. The contract also calls for an initial payment of ₱0.60 million comprising of one month advance rental deposit and security deposit amounting to ₱0.20 million and ₱0.40 million, respectively.

Investment property being leased out under the operating lease classification has a fair value of ₱242.20 million based on prevailing market price as of December 31, 2013.

For the years ended December 31, 2013 and 2012, the Company did not recognize rent income from this lease arrangement as Management assessed that it is not probable that the benefit associated with the transaction will flow to the entity. Rent income derived from rental-earning investment property presented under "Rent" in the statement of comprehensive income amounted to ₱2.14 million for the year ended December 31, 2011. There were no restrictions on realizability of the investment property and no significant costs were incurred to maintain the investment property.

9. Accounts Payable and Accrued Expenses

	2013	2012
Trade	**₱48,939,378**	₱72,278,014
Accrued expenses	**5,759,976**	4,734,261
Withholding taxes payable	**228,184**	155,739
Others	**1,774,998**	1,227,976
	₱56,702,536	₱78,395,990

Trade payables are unsecured, noninterest-bearing and are generally due and demandable. These include unsecured noninterest-bearing payable to a third party arising from purchase of land in August 2012 and is payable up to 2015. Amortization of discount, included as part of interest expense, amounted to ₱1.12 million and ₱0.68 million for the years ended December 31, 2013 and 2012, respectively [see Note 19(b)].

Accrued expenses mainly include accruals for the operation of the Company, unpaid third party services and other payables to suppliers, among others.

Others mainly include customer deposits, and retention, SSS, Pag-ibig and Philhealth payables.

10. Loans Payable

The Company's loans payable consist of the following:

Loan from	**Terms**	**Rate**	**Condition**
BDOSHI	Interest-bearing, payable in 10 years	8%	Unsecured
Gregorio Araneta Social Development Foundation (GASDF)	Noninterest-bearing, payable in 4 years	–	Unsecured

These loans were obtained for the acquisition of parcels of land included in the "Real Estate for Sale and Development" in the statements of financial position. Payments made in 2013 amounted to ₱14.66 million.

The carrying amount of these loans is as follows:

	2013	2012
BDOSHI	**₱202,742,293**	₱208,473,355
GASDF	**1,441,280**	2,878,560
	204,183,573	211,351,915
Less discount	**16,471**	103,698
	204,167,102	211,248,217
Less current portion - net of discount	**16,089,110**	7,082,971
Noncurrent portion - net of discount	**₱188,077,992**	₱204,165,246

Current portion represents those amounts that are payable by the Company twelve (12) months from the reporting date.

There are no covenants pertaining to these loans.

Movement in discount on loan payable to GASDF is as follows:

	2013	2012
Balances at beginning of year	**₱103,698**	₱258,480
Less amortization [see Note 19 (b)]	**87,227**	154,782
Balances at end of year	**16,471**	103,698
Less current portion	**16,471**	87,227
Noncurrent portion	**₱–**	₱16,471

11. **Related Party Transactions**

Parties are considered related parties 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 other operating decisions. Parties are considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Related party transactions consist mainly of advances to officers and employees which are deductible from their salaries and are due within one year.

Deposit for Future Land Acquisition
In 2011, the Company entered into a memorandum of agreement (MOA) with Araza Resources Inc., an entity under common control of Gregorio Araneta, Inc. (GAInc.), for future land acquisition. In line with this, the Company assigned its advances to related parties as deposit for future land acquisition. Accordingly, the outstanding advances to related parties were reclassified as part of "Other assets" account in the statements of financial position.

Related Party	Years	Outstanding Balance	Terms	Conditions
Araza Resources, Inc.	**2013**	**₱86,054,295**	Due and demandable;	Unsecured;
	2012	71,032,790	noninterest-bearing	no impairment

Compensation of Key Management Personnel
Short-term compensation of key management personnel of the Company is ₱6.37 million, ₱7.42 million and ₱5.82 million in 2013, 2012 and 2011, respectively.

12. **Retirement Benefit Obligation**

The Company has a defined benefit pension plan covering substantially all of its regular employees. The benefits are based on the years of service and percentage of latest monthly salary.

The defined pension benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement for the years ended December 31, 2013 and 2012 and 2011.

The movements of retirement benefit obligation recognized in the statements of financial position are as follows:

	December 31, 2013	December 31, 2012 (As Restated; see Note 2)
Balances at beginning of year	**₱5,259,700**	₱8,394,700
Retirement benefit expense recognized in profit or loss:		
Current service costs	**576,300**	916,400
Interest costs	**288,898**	557,408
	865,198	1,473,808
Actuarial loss (gain) recognized in OCI	**4,996,562**	(4,608,808)
Balances at end of year	**₱11,121,460**	₱5,259,700

The components of retirement benefit expense recognized in profit or loss are as follows:

	2013	2012 (As Restated; See Note 2)	2011 (As Restated; See Note 2)
Current service cost	**₱576,300**	₱916,400	₱724,500
Interest costs	**288,898**	557,408	585,500
	₱865,198	₱1,473,808	₱1,310,000

The principal assumptions used in determining pension for the defined benefit obligation are as follows:

	December 31	
	2013	2012
Discount rate	**5.05%**	5.60%
Salary increase rate	**6.00%**	1.80%
Expected average remaining working lifetime	**14 years**	15 years

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of December 31, 2013, assuming all other assumptions are held constant:

	Increase (decrease) in basis points	Amount
Discount rate	+100	(₱1,283,731)
	-100	1,526,896
Salary increase rate	+100	1,419,479
	-100	(1,222,966)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2013:

Years	Amounts
More than 1 year to 5 years	₱2,690,039
More than 5 years to 10 years	5,693,832
More than 10 years to 15 years	5,062,832
More than 15 years to 20 years	25,687,617
More than 20 years to 25 years	3,095,768
More than 25 years to 30 years	6,092,630
More than 30 years to 35 years	12,033,565
More than 35 years to 40 years	5,451,277

13. **Income Taxes**

The provision for current income tax in 2013, 2012 and 2011 represents regular corporate income tax.

The components of the Company's net deferred income tax assets are as follows:

	2013	2012 (As Restated, see Note 2)
Deferred income tax assets:		
Allowance for impairment losses	**₱16,575,703**	₱16,552,209
Retirement benefit recognized in profit or loss	**3,079,472**	2,819,912
Retirement benefit recognized in OCI	**256,966**	–
Effect of discounting financial instruments	–	359,475
	19,912,141	19,731,596
Deferred income tax liabilities:		
Effect of difference between revenue recognized for tax and accounting	**(6,426,782)**	(2,975,951)
Effect of discounting financial instruments	**(69,982)**	–
Retirement benefit recognized in OCI	–	(1,242,002)
	₱13,415,377	₱15,513,643

Estimating Realizability of the Deferred Income Tax Assets
The Company reviews the carrying amounts of its deferred income tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The amount of deferred income tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future planning strategies to which the deferred income tax assets can be utilized.

A reconciliation of the statutory income tax expense to effective income tax expense is as follows:

	2013	2012 (As Restated; see Note 2)	2011 (As Restated; see Note 2)
At statutory income tax rate	**₱10,151,107**	₱12,426,791	₱1,228,902
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	**5,935,061**	2,603,037	419,688
Unrecognized deferred income tax asset and others	**4,972,383**	(100,502)	(103,012)
	₱21,058,551	₱14,929,326	₱1,545,578

14. Earnings per Share

	2013	2012	2011
Net income	**₱12,778,470**	₱26,493,310	₱2,550,763
Weighted average common shares	**1,561,110,070**	1,561,110,070	1,561,110,070
Basic and diluted earnings per share	**₱0.0082**	₱0.0170	₱0.0016

The Company does not have any dilutive common shares outstanding, accordingly, the basic and diluted earnings per share are the same.

15. Financial Instruments and Capital Management

General
The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

Financial Risk Management Objectives and Policies
The Company's principal financial instruments consist of cash and cash equivalents, receivables and loans payable. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as AFS investments and accounts payable and accrued expenses which arise directly from its operations. The main risks arising from the Company's financial instruments are liquidity risk and credit risk.

As of December 31, 2013 and 2012, the Company has minimal exposure to any significant foreign currency risk because most of its financial instruments are denominated in Philippine peso. As assessed by the management, the Company has minimal exposure to equity price risk for the AFS financial asset and as such, has no material impact to the financial statements. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The Company seeks to manage its liquid funds through cash planning on a monthly basis. The Company uses historical figures and experiences and forecasts from its collection and disbursement.

The following tables summarize the maturity profile of the Company's financial assets held for liquidity purposes and financial liabilities based on remaining contractual discounted collections and payments.

2013

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash and cash equivalents	**₱17,729,917**	**₱–**	**₱–**	**₱17,729,917**
Receivables*	**180,950,791**	**–**	**–**	**180,950,791**
	198,680,708	**–**	**–**	**198,680,708**
Financial liabilities:				
Accounts payable and accrued expenses**	**(5,759,976)**	**(14,923,393)**	**(35,697,204)**	**(56,380,573)**
Loans payable	**–**	**(16,089,110)**	**(188,077,992)**	**(204,167,102)**
	(5,759,976)	**(31,012,503)**	**(223,775,196)**	**(260,547,675)**
Net financial assets (liabilities)	**₱192,920,732**	**(₱31,012,503)**	**(₱223,775,196)**	**(₱61,866,967)**

** Excluding impaired receivables and allowance for impairment loss.*
*** Excluding withholding taxes and other statutory tax liabilities.*

2012

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash and cash equivalents	₱15,052,871	₱–	₱–	₱15,052,871
Receivables*	166,131,878	–	–	166,131,878
	181,184,749	–	–	181,184,749
Financial liabilities:				
Accounts payable and accrued expenses**	(4,734,261)	(27,637,910)	(45,697,207)	(78,069,378)
Loans payable	–	(13,998,718)	(197,249,499)	(211,248,217)
	(4,734,261)	(41,636,628)	(242,946,706)	(289,317,595)
Net financial assets (liabilities)	₱176,450,488	(₱41,636,628)	(₱242,946,706)	(₱108,132,846)

** Excluding impaired receivables and allowance for impairment loss.*
*** Excluding withholding taxes and other statutory tax liabilities.*

Credit Risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The credit risk of the Company is controlled by the approvals, limits and monitoring procedures. It is the Company's policy to enter into transactions with creditworthy parties to mitigate any significant concentration of credit risk. The Company ensures that credit transactions are made with parties with appropriate credit history and has internal mechanism to monitor granting of credit and management of credit exposures. The Company's maximum exposure to credit risk is equal to the carrying amounts of its financial assets.

The Company grants advances to related parties after the BOD reassessed the Company's strategies for managing credits and view that they remain appropriate for the Company's circumstances.

The Company sets up provision for impairment of receivables equal to the balance of individually assessed impaired long-outstanding receivables and uncollectible portion of installment receivables. The balance of receivables subjected to allowance for impairment losses amounted to ₱55.25 million and ₱55.17 million as of December 31, 2013 and 2012, respectively (see Note 5). Receivables that are neither past due nor impaired are due from creditworthy counterparties with good payment history with the Company. Such receivables are collectible and in good standing as assessed by the Company's management.

Cash with banks and short-term investments are deposits and investments, respectively, made with reputable banks duly approved by the BOD.

Capital Management

The Company considers the following item in its statements of financial position as its core capital:

	2013	2012
Capital Stock	**₱1,561,110,070**	₱1,561,110,070
Capital Surplus	**154,395,374**	154,395,374
Deficit	**(513,990,470)**	(526,768,940)
	₱1,201,514,974	₱1,188,736,504

The primary objective of the Company's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2013, 2012 and 2011.

Below is the Company's track record of registration of securities under the Securities Regulation Code of the SEC:

Date of Registration (SEC Approval)	Description	Number of shares (in 000's)	Par value per share	Total amount (in 000's)
1988	Capital upon registration:			
	Class A	30,000,000	₱0.01	₱300,000
	Class B	20,000,000	0.01	200,000
		50,000,000		500,000
1992	Decrease in authorized capital stock and change of par value from ₱0.01 to ₱1.00			
	Class A	150,000	1.00	150,000
	Class B	100,000	1.00	100,000
		250,000		250,000
1994	Change of par value from ₱1.00 to ₱0.30			
	Class A	150,000	0.30	45,000
	Class B	100,000	0.30	30,000
		250,000		75,000
1995	Increase in authorized capital stock and removal of classification of shares of stock	1,000,000	0.30	300,000
1996	Increase in authorized capital stock and change of par value from ₱0.30 to ₱1.00	5,000,000	1.00	5,000,000
Total Authorized Capital		5,000,000	₱1.00	₱5,000,000

As of December 31, 2013 and 2012, there were no movements in the Company's registered securities. There are 2,247 shareholders who hold 1,561,110,070 shares as of December 31, 2013.

Fair Value and Categories of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments per category as of December 31, 2013 and 2012:

	2013		2012	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Loans and receivables:				
Cash and cash equivalents	**₱17,729,917**	**₱17,729,917**	₱15,052,871	₱15,052,871
Receivables	**180,950,791**	**193,280,743**	166,153,178	185,868,718
AFS investments	**2,370,000**	**2,370,000**	2,370,000	2,370,000
	₱201,050,708	**₱213,380,660**	₱183,576,049	₱203,291,589

	2013		2012	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Other financial liabilities:				
Accounts payable and accrued expenses*	**₱56,380,573**	**₱56,380,573**	₱78,069,378	₱78,069,378
Loans payable	**204,167,102**	**282,538,540**	211,248,217	295,553,108
	₱260,547,675	**₱338,919,113**	₱289,317,595	₱373,622,486

** Excluding withholding taxes and other statutory tax liabilities*

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents
The carrying amounts of cash and cash equivalents approximate fair values primarily due to the relatively short-term maturity of these financial instruments.

Receivables
The fair values of receivables are based on the present value of expected future cash flows using the applicable discount rates which is 0.49% and 0.76% in 2013 and 2012, respectively.

AFS Investments
AFS investments are carried at fair value. The fair values of AFS investments are based on the quoted market prices.

Accounts Payable and Accrued Expenses
The carrying amounts of accounts payable and accrued expenses approximate their fair values due to the relatively short-term maturity of these financial instruments.

Loans Payable
The carrying values of the noninterest-bearing loans payable were calculated based on the discounted value of future cash flows using the applicable risk free rates for similar types of accounts adjusted for credit risk. The discount rates used to compute the fair values in 2013 and 2012 for the two loans payable were 0.42%-3.90% and 0.86%-4.48%, respectively.

16. Joint Venture Agreement with SLRDI

The Company together with SLRDI began their activities based on their joint venture agreement dated June 5, 2003. Under the agreement, SLRDI will develop and sell certain parcels of land owned by the Company at its own cost. The Company is responsible for the delivery of the parcels of land free from liens and encumbrances including any claims of tenants or third parties and from any form of litigation. The joint venture project shall consist of the development of an exclusive mixed-use residential-commercial subdivision with a country club. Once developed, the property will be shared by the parties either through cash or lot overrides. The Company shall receive 40% of the net sales proceeds, in case of cash override, or 40% of the saleable lots, in case of a lot override, while SLRDI shall receive 60% of the net sales proceeds or the saleable lots. The Company opted to receive its share in joint venture operation through a cash override.

On April 27, 2006, SLRDI's application to obtain license to sell from the Housing and Land Use Regulatory Board has been approved.

17. Provisions and Contingencies

In the ordinary course of business, the Company has pending claims/assessments which are in various stages of discussion/protest/appeal with relevant third parties. Management believes that the bases of the Company's position are legally valid such that the ultimate resolution of these claims/assessments would not have a material effect on the Company's financial position and results of operations.

18. Segment Reporting

The Company has only one reportable segment that sells only one product line.

All segment revenues are derived from external customers. The Company develops and sells real estate properties.

Operating results of the Company are regularly reviewed by the Company's Chief Operating Decision Maker, which is the Company's Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the presentation and classification in the statements of comprehensive income.

The Company has only one geographical segment as all of its assets are located in the Philippines.

19. Other Matters

a) Notes to Statements of Cash Flows

Noncash operating activity in 2012 pertains to the acquisition of land from BDOSHI and Don Manuel Corporation resulting to to an increase in "Real Estate for Sale and Development" amounting to ₱248.18 million and ₱75.32 million, respectively (see Note 6).

Noncash operating activities in 2011 pertain to advances to related parties that were reclassified to "Other assets" account (see Note 11).

b) Interest expense

Interest expense consists of the following:

	2013	2012	2011
Amortization of discount - trade payables (see Note 9)	**₱1,120,507**	₱678,155	₱–
Amortization of discount - loans payable (see Note 10)	**87,227**	154,782	219,251
Interest expense (see Note 10)	**7,491,294**	46,569	–
	₱8,699,028	₱879,506	₱219,251

20. **Supplementary Tax Information under Revenue Regulations 15-2010**

The Company reported and/or paid the following types of taxes for the year ended December 31, 2013:

VAT

a. The Company is VAT-registered with taxable sale of goods amounting to ₱47,962,680 with a corresponding output VAT of 12% amounting to ₱5,755,522.

   The Company's income that are subject to VAT are based on actual collections received, hence, may not be the same as the amounts recognized in the statement of comprehensive income.

   The Company's VAT exempt sales arise from the sale of real properties from the Company's joint venture agreement with SLRDI.

   Republic Act No. 8424, Tax Reform Act of 1997, Title IV, Chapter 1, Section 109(p) specified that sale of residential lot amounting to ₱1,919,500 million and below for purposes of computing VAT are VAT exempt transactions and therefore, will not be subject to VAT. Provided, however that not later than January 31, 2009 and every three (3) years thereafter, the amounts stated herein shall be adjusted to its present value using the Consumer Price Index, as published by the National Statistics Office (NSO) and that such adjustment shall be published through revenue regulations to be issued not later than March 31 of each year.

   Per revenue regulation 3-2012, the adjustment in computing VAT resulted to a revised threshold amounting to ₱1,919,500 effective January 1, 2012.

b. Input VAT

   The amount of input VAT claimed are broken down as follows:

Balance at January 1, 2013	₱36,915,374
Domestic purchases/payments for:	
Goods for resale or manufacture	1,033,604
Services lodged under other accounts	1,328,044
Balance at December 31, 2013	₱39,277,022

Other Taxes and Licenses

The following are the details of the Company's taxes and licenses:

A. Local	
Business taxes	₱1,353,314
Real estate taxes	1,268,321
Community tax certificate	10,500
Licenses, permits and fees	5,520
B. National	
Annual registration	500
	₱2,638,155

Withholding Taxes

The amount of withholding taxes paid/accrued for the year amounted to:

Withholding taxes on compensation and benefits	₱1,929,607
Expanded withholding taxes	637,575
	₱2,567,182

As of December 31, 2013, the Company has no tax assessments or cases which are either pending decision by the court or are being contested. In addition, the Company has no pending tax cases outside the administration of the BIR.