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

(Form Type)

____

(Amendment Designation (if applicable)

December 31, 2019

(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

ANNUAL REPORT PURSUANT TO SECTION17OF THESECURITIES REGULATION CODE ANDSECTION 141OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended:**December 31, 2019**

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 . . . ..Php1.00 par value	**1,951,387,570 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 ofDecember 31, 2019---**925,110,073shares**

b. Closing price of the registrant's share on the exchange as of December 26, 2019–**PhP1.480 per share**

c. Aggregate market price as of December 31, 2019---**PhP7,269,402.47**

APPLICABLE ONLY TO ISSUERS INVOLVED ININSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGSDURING 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 [x] No [ ]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 November 29, 2019, the Company entered into an agreement with Sta. Lucia Land, Inc. (SLand for brevity) to develop a parcel of land owned by the Company. Under the agreement, SLand will develop the parcel of land into a residential subdivision with complete facilities and amenities, upon turnover of the property and upon securing required clearance and permit to develop, and in which the property shall be free and clean from any lien and encumbrance. The agreement further states that the Company shall compensate SLand, in the form of lots consisting 60% of the net saleable area. The remaining 40% shall be the share of Araneta Properties, Inc.

On August 30, 2019, Sta. Lucia Land, Inc., paid in advance the outstanding amount of the liability to Insular Life Insurance Company amounting to ₱115.31 million in behalf of the Company. The said advances is a non-interest bearing and is payable either by way of

Company's shares from sales proceeds or by way of direct payments within a period of two years upon issuance of license to sell.

On September 19, 2016, the Company entered into a contract for acquisition of a 580,154 sq.m. land from Insular Life Insurance Company for a total gross consideration of ₱430.47 million.

On November 17, 2015 Gregorio Araneta, Inc., a corporation duly registered with Securities and Commission and with business address located at 6th Floor, Suite A, Adamson Center Centre, 121 LP Leviste Streets, Salcedo Village, Makati City, subscribed and paid three hundred ninety million two hundred seventy seven thousand five hundred (390,277,500) shares at P1.12 per share for the aggregate amount of Philippine Pesos: Four hundred thirty seven million one hundred ten thousand eight hundred (P437,110,800.00).

On November12, 2015 Board of Directors meeting the board unanimously approved the private placement of Gregorio Araneta Inc. The use of the proceeds from said placement is to boast the Company's land banking activity

Business of Issuer

As at end of December 31, 2019 the total lots sold by the Company is Nine Hundred Thirty Six Thousand Four Hundred Eight Five (936,485) square meters of developed lots to Four ThousandEight Hundred Twenty Two (4,822) buyers.

Particulars	2017	2018	2019
Total subdivided lot sold (in sq.m.)	927,958	930,399	936,485
Number of buyers	4,756	4,785	4,822

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 One Hundred Fifty Three (318,153) square meters.

The project engineer in-charge of the over-all Project development has reported that Phase 1, Phase 2 and Phase 3 are 100% respectively complete. While the Country Club is also 100% complete as of December 31, 2019.

As part of the land banking activities of the Company started in year 2012 total land acquisitions as of December 31, 2019 detailed as follows:

Acquired from	Lot area (inSq.m.)	Value of Land	Paymentmade	Balance Payable
All in Sn Jose Del Monte Bulacan				
GASDF Property	47,976	7,196,400.00	7,196,400.00	Fully paid
Don Manuel Corporation	410,377	78,201,917.21	78,201,917.21	Fully paid
BDO Strategic Holdings, Inc.	926,550	248,183,035.71	248,183,035.71	Fully paid
MargaDev't Corporation	360,000	135,878,430.13	135,878,430.13	Fully paid
Insular Life Insurance Co.,	580,154	430,474,268.00	430,474,268.00.	Fully paid
Paramount Finance Corp	10,000	3,724,000.00	3,724,000.00	Fully paid
Rodolfo Cuenca	50,094	12,523,500.00	12,523,500.00	Fully paid
Sub-total	***2,385,151***	***916,181,551.05***	***916,181,551.05***	***-0-***

Rocha Dev't Corporation	119,543	32,912,600.00	Under negotiation	32,912,600.00
Pagrel Corporation	344,500	103,350,000.00	Under negotiation	103,350,000.00
Apena Foods Product, Inc.	377,200	126,322.000.00	Under negotiation	126,322,000.00
Sub-total	***841,243***	***262,584,600.00***	*-0-*	***262,584,600.00***
Total (Sn Jose Del Monte)	**3,226,394**	**1,178,766,151.05**	**916,181,551.05**	**262,584,600.00**
Add; Northern Luzon Area				
Manuel Bonoan	57,211	31,180,003.00	31,180,003.00	-0-
Almazan et all	286,480	61,032,240.00	54,399,070.00	6,633,170.00
Emma Almazan	11,862	2,526,670.00	1,254,456.00	1,272,214.00
Hugo Nat D. Juan	13,186	4,615,100.00	2,307,550.00	2,307,550.00
	368,739	**99,354,013.00**	**89,141,079.00**	**10,212,934.00**
Total land banking	**3,595,133**	**1,278,120,164.05**	**1,005,322,630.05**	**272,797,534.00**

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.

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 itincluding all the required development such road preparation, drainage system, pavement of roads, curbs, gutters, sidewalks, 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.

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.

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 the**Nuvali of Sta. Rosa City**. Thus, competition or such is no longer an issue in the business operation of the Company.

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 2,326,403 square meters of parcels of land described above. The Company has already consolidated more or less 2,753,890square meter as at end of December 31, 2019, and with the potential for acquisition of 841,243square meter which is currently the negotiation is in process

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

Particulars	Year 2017	Year 2018	Year 2019
Sale from Real Estate	60,971,337	62,512,270	32,896,604
Cost of Land	21,422,829	10,009,091	6,868274
Percentage to revenue	35.14%	16.01%	20.88%

Note:

Thedecreasedin sales in Year 2019 by 47.38% as compared to the year 2019 the reason for said decreased isthe result of Company's strategy specifically the holding on of some inventories in abeyance for a much better price

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, 2019 the total number of officers, managers, consultants and regular employees of the Company are as follows:

Executives &Managers	7
Consultants	4
Supervisors, Rank and File	20
Total number of employees	31

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 notexperienced any conflict between employees and with the management for the past three (3) years.At present thereare 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, 2019 and 2018, 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.

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.

Economic and health risk

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020. For selected areas, including Metro Manila, this was subsequently extended to May 31, 2020. The ECQ was subsequently lifted and replaced by a more lenient general community quarantine starting June 1, 2020. This measure is expected to result to disruptions to businesses and economic activities.

The Company implemented compliance measures to the community quarantine (CQ) protocols in conjunction with the National Government's strategy to flatten the curve and/or to combat the spread of outbreak as follows:

- Full shutdown of Makati Offices started on March 16, 2020. All employees received their salaries for the period March 16 to 31, 2020 in full.

- After March 31, 2020, employees were encouraged to utilize their available leave credits and work on a skeletal basis.

- Other measures are being implemented to ease the impact of the CQ on the employees, e.g. the early release of the prorated 13th month pay, extend cash advances to regular employees in the event that the CQ is extended.

- Business opportunity is paralyzed such as cash inflows. Presently, the Company concentrates on Cash Management to be able to rationalize and ensure availability of funds to sustain payments of employees' payroll.

The Company considers the measure taken by the government as a non-adjusting subsequent event, which does not impact its financial position and performance as of and for the year ended December 31, 2019. However, it could have a material impact or an impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Company cannot determine at this time the impact to its financial position, performance and cash flows.

At present, the CQ may have an effect on new/future land sales and collection of the Company's receivables depending on the capability of buyers to meet future payments. The Company will continue to monitor the situation, and should the CQ be further prolonged, the BOD may at any time form a Crisis Management Team/Committee that will focus on the impact to the Company's revenue and operations, or formulate assessment tools to measure and/or benchmark costs and expenses or anticipate scenario beyond "COVID-19", upon assumption of work and "Normal" operation.

Certain Issues or Issuers

***Investment Company Securities*.**

OnNovember 29, 2019, the Company entered into an agreement with Sta. Lucia Land, Inc. (SLand for brevity) to develop more or less 300 hectares of land owned by the Company. Under the agreement, SLand will develop the parcel of land into a residential subdivision with complete facilities and amenities, upon turnover of the property and upon securing required clearance and permit to develop, and in which the property shall be free and clean from any lien and encumbrance. The agreement further states that the Company shall compensate SLand, in the form of lots consisting 60% of the net saleable area. The remaining 40% shall be the share of Araneta Properties, Inc.

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.

Land banking activities-Sn Jose Del Monte Bulacan

On November 24, 2019 the company entered into a Purchase Agreement (PO) with Emma F. Almazan, to acquire more or less 11,862 square meters of parcels of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest.

On May 08, 2018 the company signed a Deed of Absolute Sell to acquire land from Rodolfo M. Cuenca, located in San Jose del Monte, Bulacan.with a total lot area of Fifty Thousand Ninety Four (50,094) square meter.

On October 12, 2017 the company signed a Deed of Absolute Sell to acquire land from Paramount Finance Corporation , located in San Jose del Monte, Bulacan with a total lot area of Ten Thousand (10,000) square meter.

On September 19, 2016 the company signed a contract to sell to acquire land from Insular Life Assurance Company LTD. (IL for bravety), located in San Jose Del Monte, Bulacan with a total lot area of Five Hundred Eighty Thousand One Hundred Fifty Four (580,154) square meters for or less. The contract covers an installment terms without interest payable until September 16, 2020, on August 30, 2019 ARA has already pre-terminated its installment terms and paid in full its obligation with IL.

On February 21, 2014 the company signed a memorandum of understanding to acquire land located at Barrio TungkongMangga, City of San Jose Del Monte Bulacan with a total area of Three Hundred Sixty Thousand Square Meters (360,000 sq.m.)., The contract covers an installment terms without interest, the contract is fully paid as at end of December 31, 2016.

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, the acquisition contract is already fully paid.

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 the contract is already fully paid

Land banking activities-City of Laoag, Ilocos Norte

On November 24, 2019 the company entered into a Purchase Agreement (PO) with Emma F. Almazan, to acquire more or less 11,862 square meters of parcels of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest.

On November 20, 2018, the company signed a contract to sell to acquire land from Hugo Nat D. Juan, located also in Barangay Balacad, City of Laoag, Ilocos Norte with a total lot area of Thirteen Thousand One Hundred Eight Six (13,186) square meters via installment purchase repayable into three (3) equal payments.

On November 18, 2016, the company signed a deed of absolute sell to acquire *via-cash purchase land* from Manuel M. Bonoan located also in Barangay Balacad, City of Laoag, Ilocos Norte with a total lot area of Fifty Seven Thousand Two Hundred Eleven (57,211) square meters.

On October 8, 2015 the company signed a unilateral Deed of Absolute Sell to acquired on installment of more or less 169,904 square meters of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest payable until April 19, 2019.

On June 3, 2014 the company entered into a Memorandum of Agreement (MOA) with Emma F. Almazan, to acquire more or less 116,576 square meters of parcels of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest.

ITEM 2 PROPERTIES

DESCRIPTION OF PROPERTIES

San Jose del Monte, Bulacan Property

Size and Location - The property of the Company consists of 2,364,082sq.m.of prime land most of which are located in Barrio TungkongMangga, San Jose del Monte, Bulacan, and bounded by Caloocan City on the southwest, Quezon City on the South, Montalban on the East and San Jose del Monte on the northeast.The 236.408 hectares of prime land subject of the above discussion do not include the 232.640 hectares of landalready acquired as at end of December 31, 2019 making the total consolidated lot area of 2,753,890 square meters, and with highly potential to acquire is the more or less841,243 square meters to complement additional expansion which the negotiation is still in progress.

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 KalookanCity 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 SapangPalay 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.

ManticaoMisamis Oriental Property

Size and Location of Land - The property consists of 17.3 hectare of regular residential land, located along the national highway of Cagayan de Oro City to Iligan City and within the Poblacion of Barrio Patag, Manticao,Misamis Oriental.

Land Banking Activities-San Jose Del Monte, Bulacan

On May 08, 2018 the company signed a Deed of Absolute Sell to acquire land from Rodolfo M. Cuenca, located in San Jose del Monte, Bulacan. with a total lot area of Fifty Thousand Ninety Four (50,094) square meter. On October 12, 2017 the company signed a Deed of Absolute Sell to acquire land from Paramount Finance Corporation , located in San Jose del Monte, Bulacan with a total lot area of Ten Thousand (10,000) square meter. On September 19, 2016 the company signed a contract to sell to acquire land from Insular Life Assurance Company LTD., located in San Jose Del Monte, Bulacan with a total lot area of Five Hundred Eighty Thousand One Hundred Fifty Four (580,154) square meters for or less. The contract covers an installment terms without interest and payable until September 16, 2020.On February 21, 2014 the company signed a memorandum of understanding with Marga Capital Holdings, Inc. to acquire land located at Barrio TungkongMangga, City of San Jose Del Monte Bulacan with a total area of Three Hundred Sixty Thousand Square Meters (360,000 sq.m.)., The contract covers an installment terms without interest.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. On August 24, 2012 the company entered 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.

Land Banking Activities- City of Laoag, Ilocos Norte

On November 24, 2019 the company entered into a Purchase Agreement (PO) with Emma F. Almazan, to acquire more or less 11,862 square meters of parcels of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest.

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As at end of December 31, 2019 the Company has already consolidated more or less 2,753,890 square meters of parcels of land making to the total land area for expansion of 3,595,133 square meters not to include the potential acquisition of 841,243 square meter which is presently the negotiation is in process.

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 VOTEOF SECURITY HOLDERS

The stockholder's meeting of the Company was held last December 06, 2019 at the Cameron Forbes B, Manila Polo Club, Mckinley Road, Forbes Park, 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 2019 were presented and approved by the stockholders present and entitled to vote.

The shareholders also ratified the acts of management for the period.

The following were elected Directors of the Company for the year 2019-2020, namely: Gregorio Ma. Araneta III, Crisanto Roy B. Alcid, Cesar C.Zalamea, Alfonso M.Araneta, Luis M. Araneta, Francisco A. Segovia and as independent Directors, Perry L. Pe,Alfredo de Borja, and Mr. Alfredo D. Roa III.

SGV and Co was also re appointed as the Company's Independent Auditor.

PART II - OPERATIONAL *and*FINANCIAL INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMONEQUITY*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:

	2017		2018		2019	
Period	High	Low	High	Low	High	Low
First Quarter	2.35	2.31	2.49	2.41	2.01	1.80
Second Quarter	2.55	2.47	2.05	2.01	2.18	2.06
Third Quarter	2.39	2.37	1.95	1.92	2.05	1.97
Fourth Quarter	2.35	2.09	1.86	1.81	1.73	1.67

(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)
2020	May 15, 2020	P1.05
2020	April 30, 2020	P1.05
2020	March 30, 2020	P1.04
2020	February 28, 2020	P1.55
2020	January 31, 2020	P1.74

The approximate number of shareholders as of December 31, 2019 is 2,155 shareholders and the top twenty (20) shareholders as of December 31, 2019 are the following:

1	PCD Nominee Corporation	Filipino	687,984,306	35.26%
2	Carmel Development Inc.	Filipino	499,999,997	25.62%
3	Gregorio Araneta Inc.	Filipino	390,277,500	20.00%
4	Gamma Properties, Inc	Filipino	136,000,000	6.97%
5	Olongapo Mabuhay Express Corp.	Filipino	124,855,422	6.40%
6	PCD Nominee Corporation	Other alien	82,223,467	4.21%
7	Brand Realty Corporation	Filipino	13,725,404	0.70%
8	Seafront Resources Corporation	Filipino	3,756,788	0.19%
9	Ruby D. Roa	Filipino	588,599	0.03%
10	TeresitaDela Cruz	Filipino	528,458	0.03%
11	Maria Cristina Dela Paz	Filipino	525,000	0.03%
12	Flora Pascual	Filipino	493,720	0.03%
13	Leonides Francisco Balmeo	Filipino	425,000	0.02%
14	Luis V. Ongpin, JR ITF Victor Luis M. Ongpin	Filipino	411,000	0.02%
15	Paolo Tuason	Filipino	376,500	0.02%
16	EBC Securities Corporation	Filipino	300,000	0.02%
17	Rosanna Isabel T. Torres	Filipino	255,000	0.01%

18	Jaye Marjorie R. Gonzales	Filipino	200,000	0.01%
19	Jocelyn L. Oquias	Filipino	195,135	0.01%
20	Antonio Dy	Filipino	180,000	0.01%
	Total **Add: Other Stockholders**		**1,943,212,868** **8,100,274**	**99.58%** **0.42%**
	Total shares		**1,951,387,570**	**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 – 10.1 (k) The sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during any twelve- month period.

On November 12, 2015 Board of Directors meeting the board unanimously approved the private placement of Gregorio Araneta Inc. The use of the proceeds from said placement is to boast the Company's land banking activity

On August November 17, 2015 Gregorio Araneta, Inc., a corporation duly registered with Securities and Commission and with business address located at Mezzanine Floor, Adamson Centre, 121 LP Leviste Streets, Salcedo Village, Makati City, subscribed and paid three hundred ninety million two hundred seventy seven thousand five hundred (390,277,500) shares at P1.12 per share for the aggregate amount of Philippine Pesos: Four hundred thirty seven million one hundred ten thousand eight hundred (P437,110,800.00).

ITEM 6. MANAGEMENT'S DISCUSSION *and*ANALYSISOR PLAN OF OPERATION

(1) Management's Discussion and Status of Operation

The performance of the Company in terms of revenue decreased by 47.38% sales for the year is P32.897million as compared to P62.512 million of the same period of year 2018. This performance is directly attributed to marketing strategies being implemented, specifically the holding on of some Inventory for a much better price. This strategy will create a favorable momentum for the company's operation activities while awaiting for the right timing on the implementation of sales forecast. The Company focused on managing and developing a new high margin inventory, increasing efficiency on land banking, and enhancing perspective for more marketing strategies. Even further, the Company also under took fine-tuning the whole system, maintaining and improving ***Colinas Verdes***, the subdivision's brand name and position to the market, sustaining and promoting strengths and advantages of the entire system, stabilizing organizational structure, conceptualizing training programs for both staff and management groups, ensuring financial resources for the operation of the whole system without compromising low cost but promoting instead effective cash management program and fund flow management.

The above strategies is already conclusive, where some buyers have already reserved more or less 5,727square meters of subdivided lot at the price of P13,000.00per square meter, much more higher than the P7,500.00 per square meter, which is the average selling price when the company implemented its strategy in year 2014 by to hold-on to market its inventory for a much higher margin.

The Company is using "Project Percentage of Completion" (PPOC) in the recognition of revenue, the residential area of Phase 1, Phase 2 & Phase 3 are 100%complete, while the Countryclub is likewise 100% complete as of December 31, 2019. The Company uses the PPOC in determining sales during the period.

Table I – The comparative figures of the results of operations for the three (3) years period ending December 31, 2019with comparative figures of year 2018 and 2017 for the same period

	For the Years Ended December 31			**% Change**	**% Change**
In millions (Php)	**Year 2017**	**Year 2018**	**Year 2019**	**2017vs 2018**	**2018vs 2019**
Revenue	80.834	118.621	61.621	31.85%	(48.05%)
Expenses	92.655	71.333	66.627	(29.89%)	(6.60%)
Net Income (before tax)	(11.851)	47.288	(5.006)	125.00%	(110.59%

Table II – The comparative figures of revenues consist of: (1) Sales from real estate business, (2) Interest Income from installments sales of real estate business, and(3) Other Income for the years ended December 31, 2019with comparative figures of year 2018 for the same period

	For the years ended December 31		**% Change**
In Millions (Php)	**Year 2018**	**Year 2019**	**2018vs 2019**
Income from Real Estate Business	62.512	32.897	(47.38%)
Accretion of Interest from Installment Sales	35.573	27.552	(22.55%)
Other income	20.536	1.173	(94.29%)
Total Revenue	118.621	61.622	(48.05%)

As part of the land banking activities of the Company started in year 2012 total land Acquisition as of December 31, 2019 detailed as follows:

Acquired from	Lot area (inSq.m.)	Value of Land	Paymentmade	Balance Payable
All in Sn Jose Del Monte Bulacan				
GASDF Property	47,976	7,196,400.00	7,196,400.00	Fully paid
Don Manuel Corporation	410,377	78,201,917.21	78,201,917.21	Fully paid
BDO Strategic Holdings, Inc.	926,550	248,183,035.71	248,183,035.71	Fully paid
MargaDev't Corporation	360,000	135,878,430.13	135,878,430.13	Fully paid
Insular Life Insurance Co.,	580,154	430,474,268.00	430,474,268.00	Fully paid
Paramount Finance Corp	10,000	3,724,000.00	3,724,000.00	Fully paid
Rodolfo Cuenca	50,094	12,523,500.00	12,523,500.00	Fully paid
Sub-total	***2,385,151***	***916,181,551.05***	***916,181,551.05***	***-0-***
Rocha Dev't Corporation	119,543	32,912,600.00	Under negotiation	32,912,600.00
Pagrel Corporation	344,500	103,350,000.00	Under negotiation	103,350,000.00
Apena Foods Product, Inc.	377,200	126,322.000.00	Under negotiation	126,322,000.00
Sub-total	***841,243***	***262,584,600.00***	*-0-*	***262,584,600.00***
Total (Sn Jose Del Monte)	**3,226,394**	**1,178,766,151.05**	**916,181,551.05**	**262,584,600.00**
Add; Northern Luzon Area				
Manuel Bonoan	57,211	31,180,003.00	31,180,003.00	-0-
Almazan et all	286,480	61,032,240.00	54,399,070.00	6,633,170.00
Emma Almazan	11,862	2,2526,670.00	1,254,456.00	1,272,214.00
Hugo Nat D. Juan	13,186	4,615,100.00	2,307,550.00	2,307,550.00
	368,739	**99,354,013.00**	**89,141,079.00**	**10,212,934.00**
Total land banking	**3,595,133**	**1,278,120,164.05**	**1,005,322,630.05**	**272,797,534.00**

Key Performance Indicators

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

	As of Dec 31, 2017	As of Dec 31, 2018	As of Dec 31, 2019
Current Ratio (1)	11.8718: 1	7.2139 : 1	6.58 : 1
Debt to Equity Ratio (2)	1: 0.1028	1: 0.1246	1 : 0.1344
Earnings per Share (3)	1: (0.0055)	1: 0.0242	(1 : 0.0026)
Earnings before interest and Income Taxes (4)	(P11.851)million	P47.288million	(P5.006) million
Return on Equity	(0.0055)	0.0267	(0.0028)

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

Other than the above mentioned trend, specifically the trend introduced by new player in real estate company the Ayala Land, Inc., and the Avida Land Corporation has made a significant impact resulted to a price per square meter increased . 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 are 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 in relation to Company's 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.

(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. Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods up to three months depending on the immediate cash requirements of the Company and earn interest at the respective deposit rates. Interest income earned from cash with banks and cash equivalents amounted to₱0.18 million, ₱ 0.21 million and ₱0.62 million in 2019, 2018 and 2017, respectively.

Receivables. Trade receivables mainly represent the Company's outstanding balance in the sale of real estate. These receivables pertain to amounts due from SLRDI and othercustomers.

Receivables from SLRDI pertain to collections by SLRDI from customers for remittance to the Company. These are noninterest-bearing and are due on demand. Receivables from customers consist of interest-bearing and noninterest-bearing receivables which are collectible in monthly installments over a period of one to five years. Income from interests and penalties arising from late payment of these receivables amounting to ₱18.09 million, ₱25.99 million and ₱19.54 million in 2019, 2018 and 2017, respectively, are recognized as "Interests, penalties and other income" in the "Other Income (Expense)" section in the statement of comprehensive income.

Impaired installment receivables pertain to the uncollected portion of the amount arising from the sale of non-operating properties to Platinum Group Metal Corporation (PGMC) 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 in an effective interest rate of 9.45%. The Company recognized full allowance on these receivables while they are currently in the process of renegotiating with the management of PGMC with respect to the settlement of the said installment receivables. The Company also written off its impaired receivables from PGMC.

In 2018, the Company sold non-operating properties to Fongfu Mining and Trading Co. (FMTC) located at Poblacion, Manticao, Misamis Oriental for ₱33.00 million which was fullycollected in 2018 resulting to a gain of ₱29.91 million, net of applicable taxes.

Advances to officers and employees and others are noninterest-bearing receivables and are due within 12 months from the reporting date

Real Estate Inventory.This account pertains to land developed for residential subdivisions under the project agreement with SLRDI. As discussed in Note 6 and 17 to the financial statements, the Company, together with SLRDI, began their regular activities in 2005 based on their project agreement. As of December 31, 2019, the residential area of Phase 1, Phase 2, and Phase 3 are 100% completed, based on the physical completion report provided by the project's supervising engineer

Property and Equipment. The movement in property and equipment account pertains to the recognition of provision for depreciation by the Company amounting to ₱2.605million, and the retired/Sold of none performing equipment, partially offset by acquisition of additional property and equipment in the amount of ₱0.202 million.

Depreciation expense is presented as part of "General and administrative expenses" in the statements of comprehensive income.

Fully depreciated property and equipment with cost of ₱20.53 million and ₱7.49 million are still being used in operations as of December 31, 2019 and 2018, respectively.

No property and equipment were pledged as security to the Company's obligations in 2019, 2018 and 2017.

Land Banking Activities-San Jose Del Monte, Bulacan

On November 29, 2019 the Company signed a Joint Venture Agreement with Sta. Lucia Land, Inc. (Sland for bravety), as Publicly Listed Corporation to handle the development of more or less 300 hectares of land owned by the Company and SLand shall develop and subdivide the property to be able to have it ready for sale and that will form part of Annex of the existing Colinas Verdes Subdivision Project.

On May 08, 2018 the company signed a Deed of Absolute Sell to acquire land from Rodolfo M. Cuenca, located in San Jose del Monte, Bulacan. with a total lot area of Fifty Thousand Ninety Four (50,094) square meter. On October 12, 2017 the company signed a Deed of Absolute Sell to acquire land from Paramount Finance Corporation , located in San Jose del Monte, Bulacan with a total lot area of Ten Thousand (10,000) square meter. On September 19, 2016 the company signed a contract to sell to acquire land from Insular Life Assurance Company LTD., located in San Jose Del Monte, Bulacan with a total lot area of Five Hundred Eighty Thousand One Hundred Fifty Four (580,154) square meters for or less. The contract covers an installment terms without interest and payable until September 16, 2020.On February 21, 2014 the company signed a memorandum of understanding with Marga Capital Holdings, Inc. to acquire land located at Barrio TungkongMangga, City of San Jose Del Monte Bulacan with a total area of Three Hundred Sixty Thousand Square Meters (360,000 sq.m.)., The contract covers an installment terms without interest.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. On August 24, 2012 the company entered 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.

Land Banking Activities- City of Laoag, Ilocos Norte

On November 24, 2019 the company entered into a Purchase Agreement (PO) with Emma F. Almazan, to acquire more or less 11,862 square meters of parcels of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest.

On November 20, 2018, the company signed a contract to sell to acquire land from Hugo Nat D. Juan, located also in Barangay Balacad, City of Laoag, Ilocos Norte with a total lot area of Thirteen Thousand One Hundred Eight Six (13,186) square meters via installment purchase repayable into three (3) equal payments.on November 18, 2016, the company signed a deed of absolute sell to acquire *via-cash purchase land* from Manuel M. Bonoan located also in Barangay Balacad, City of Laoag, Ilocos Norte with a total lot area of Fifty Seven Thousand Two Hundred Eleven (57,211) square meter.On October 8, 2015 the company signed a unilateral Deed of Absolute Sell to acquired on installment of more or less 169,904 square meters of land located in Barangay Balacad, City of Laoag, Ilocos

Norte, the contract covers an installment terms without interest payable until April 19, 2019. On June 3, 2014 the company entered into a Memorandum of Agreement (MOA) with Emma F. Almazan, to acquire more or less 116,576 square meters of parcels of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest.

As at end of December 31, 2018 the Company has already consolidated more or less 2,385,151 square meters of parcels of land making to the total land area for expansion of 4,690,485 square meters not to include the potential acquisition of 841,243 square meter which is presently the negotiation is in process.

2018

The performance of the Company in terms of revenue increased by 2.53% sales for the year is P62.512 million as compared to P60.971 million of the same period of year 2017. This performance is directly attributed to marketing strategies being implemented, specifically the holding on of some Inventory for a much better price. This strategy will create a favorable momentum for the company's operation activities while awaiting for the right timing on the implementation of sales forecast. The Company focused on managing and developing a new high margin inventory, increasing efficiency on land banking, and enhancing perspective for more marketing strategies. Even further, the Company also under took fine-tuning the whole system, maintaining and improving ***Colinas Verdes***, the subdivision's brand name and position to the market, sustaining and promoting strengths and advantages of the entire system, stabilizing organizational structure, conceptualizing training programs for both staff and management groups, ensuring financial resources for the operation of the whole system without compromising low cost but promoting instead effective cash management program and fund flow management.

The above strategies is already conclusive, where some buyers have already reserved more or less 5,381 square meters of subdivided lot at the price of P13,000.00 per square meter, much more higher than the P7,500.00 per square meter, which is the average selling price when the company implemented its strategy in year 2014 by to hold-on to market its inventory for a much higher margin.

The Company is using "Project Percentage of Completion" (PPOC) in the recognition of revenue, the residential area of Phase 1, Phase 2 & Phase 3 are 100%complete, while the Countryclub is likewise 100% complete as of December 31, 2018. The Company uses the PPOC in determining sales during the period.

Table I – The comparative figures of the results of operations for the three (3) years period ending December 31, 2018 with comparative figures of year 2017 and 2016 for the same period

	For the Years Ended December 31			**% Change**	**% Change**
In millions (Php)	**Year 2016**	**Year 2017**	**Year 2018**	**2016 vs 2017**	**2017 vs 2018**
Revenue	154.535	81.134	118.621	(47.50%)	46.20%
Expenses	128.387	92.985	71.333	(27.57%)	(23.29%)
Net Income (before tax)	26.148	(11.851)	47.288	(19.92%)	69.49%

Table II – The comparative figures of revenues consist of: (1) Sales from real estate business, (2) Interest Income from installments sales of real estate business, and(3) Other Income for the years ended December 31, 2018 with comparative figures of year 2017 for the same period

	For the years ended December 31		% Change
In Millions (Php)	**Year 2017**	**Year 2018**	**2017 vs 2018**
Income from Real Estate Business	60.971	62.512	2.53%
Accretion of Interest from Installment Sales	20.163	36.020	78.64%
Other income	-0-	20.089	100.00%
Total Revenue	81.134	118.621	46.20%

As part of the land banking activities of the Company started in year 2012 total land Acquisition as of December 31, 2018detailed as follows:

Acquired from	Lot area (inSq.m.)	Value of Land	Paymentmade	Balance Payable
All in Sn Jose Del Monte Bulacan				
GASDF Property	47,976	7,196,400.00	7,196,400.00	Fully paid
Don Manuel Corporation	410,377	78,201,917.21	78,201,917.21	Fully paid
BDO Strategic Holdings, Inc.	926,550	248,183,035.71	248,183,035.71	Fully paid
MargaDev't Corporation	360,000	135,878,430.13	135,878,430.13	Fully paid
Insular Life Insurance Co.,	580,154	430,474,268.00	315,168,660.50	115,305,607.50
Paramount Finance Corp	10,000	3,724,000.00	3,724,000.00	Fully paid
Rodolfo Cuenca	50,094	12,523,500.00	12,523,500.00	Fully paid
Sub-total	***2,385,151***	***916,181,551.05***	***800,875,943.55***	***115,305,607.50***
Rocha Dev't Corporation	119,543	32,912,600.00	Under negotiation	32,912,600.00
Pagrel Corporation	344,500	103,350,000.00	Under negotiation	103,350,000.00
Apena Foods Product, Inc.	377,200	126,322.000.00	Under negotiation	126,322,000.00
Sub-total	***841,243***	***262,584,600.00***	*-0-*	***262,584,600.00***
Total (Sn Jose Del Monte)	**3,226,394**	**1,178,766,151.05**	**800,875,943.55**	**377,890,207.50**
Add; Northern Luzon Area				
Manuel Bonoan	57,211	31,180,003.00	31,180,003.00	-0-
Almazan et all	286,480	61,032,240.00	54,399,070.00	6,633,170.00
Hugo Nat D. Juan	13,186	4,615,100.00	923,020.00	3,692,080.00
	356,877	**96,827,343.00**	**86,502,093.00**	**10,325,250**
Total land banking	**3,583,271**	**1,275,593,494.05**	**887,378,036.55**	**388,215,457.50**

Key Performance Indicators

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

	As of Dec 31, 2016	As of Dec 31, 2017	As of Dec 31, 2018
Current Ratio (1)	12.2656 : 1	11.8718 : 1	7.2139 : 1
Debt to Equity Ratio (2)	1: 0.1573	1: 0.1028	1 : 0.06133
Earnings per Share (3)	1: 0.0080	1: (0.0055)	1 : 0.0161
Earnings before interest and Income Taxes (4)	P15.646 million	(P10.659)million	P31.460million
Return on Equity	0.0090	(0.0061)	0.0177

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

Other than the above mentioned trend, specifically the trend introduced by new player in real estate company the Ayala Land, Inc., and the Avida Land Corporate has made a significant impact resulted to a sales increased . 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 are 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 in relation to Company's 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.

(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. Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods up to three months depending on the immediate cash requirements of the Company and earn interest at the respective deposit rates. Interest income earned from cash with banks and cash equivalents amounted to₱0.21 million, ₱ 0.62 million and ₱2.39 million in 2018, 2017 and 2016, respectively.

Receivables. Trade receivables mainly represent the Company's outstanding balance in the sale of real estate. These receivables pertain to amounts due from SLRDI and customers.

Receivables from SLRDI pertain to collections by SLRDI from customers for remittance to the Company. These are noninterest-bearing and are due on demand. Receivables from customers consist of interest-bearing and noninterest-bearing receivables which are collectible in monthly installments over a period of one to five years. Income from interests and penalties arising from late payment of these receivables amounting to ₱25.99 million, ₱19.54 million and ₱17.27 million in 2018, 2017 and 2016, respectively, are recognized as "Interests, penalties and other income" in the "Other Income (Expense)" section in the statement of comprehensive income.

Impaired installment receivables pertain to the uncollected portion of the amount arising from the sale of non-operating properties to Platinum Group Metal Corporation (PGMC) 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 in an effective interest rate of 9.45%. The Company recognized full allowance on these receivables while they are currently in the process of renegotiating with the management of PGMC with respect to the settlement of the said installment receivables.

Advances to officers and employees and others are noninterest-bearing receivables and are due within 12 months from the reporting date

Real Estate Inventory.This account pertains to land developed for residential subdivisions under the project agreement with SLRDI. As discussed in Note 18 to the financial statements, the Company, together with SLRDI, began their regular activities in 2005 based on their project agreement. As of December 31, 2018, the residential area of Phase 1, Phase 2, and Phase 3 are 100% completed, based on the physical completion report provided by the project's supervising engineer

Property and Equipment. The movement in property and equipment account pertains to the recognition of provision for depreciation by the Company amounting to ₱3.124 million, and the retired/Sold of none performing equipment, partially offset by acquisition of additional property and equipment in the amount of ₱1.797 million.
Depreciation expense is presented as part of "General and administrative expenses" in the statements of comprehensive income.

Fully depreciated property and equipment with cost of ₱7.49 million and ₱21.42 million are still being used in operations as of December 31, 2018 and 2017, respectively.

No property and equipment were pledged as security to the Company's obligations in 2018, 2017 and 2016.

Land Banking Activities-San Jose Del Monte, Bulacan

On May 08, 2018 the company signed a Deed of Absolute Sell to acquire land from Rodolfo M. Cuenca, located in San Jose del Monte, Bulacan. with a total lot area of Fifty Thousand Ninety Four (50,094) square meter. On October 12, 2017 the company signed a Deed of Absolute Sell to acquire land from Paramount Finance Corporation , located in San Jose del Monte, Bulacan with a total lot area of Ten Thousand (10,000) square meter. On September 19, 2016 the company signed a contract to sell to acquire land from Insular Life Assurance Company LTD., located in San Jose Del Monte, Bulacan with a total lot area of Five Hundred Eighty Thousand One Hundred Fifty Four (580,154) square meters for or less. The contract covers an installment terms without interest and payable until September 16, 2020.On February 21, 2014 the company signed a memorandum of understanding with Marga Capital Holdings, Inc. to acquire land located at Barrio TungkongMangga, City of San Jose Del Monte Bulacan with a total area of Three Hundred Sixty Thousand Square Meters (360,000 sq.m.)., The contract covers an installment terms without interest.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. On August 24, 2012 the company entered 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.

Land Banking Activities- City of Laoag, Ilocos Norte

On November 20, 2018, the company signed a contract to sell to acquire land from Hugo Nat D. Juan, located also in Barangay Balacad, City of Laoag, Ilocos Norte with a total lot area of Thirteen Thousand One Hundred Eight Six (13,186) square meters via installment purchase repayable into three (3) equal payments.on November 18, 2016, the company signed a deed of absolute sell to acquire *via-cash purchase land* from Manuel M. Bonoan located also in Barangay Balacad, City of Laoag, Ilocos Norte with a total lot area of Fifty Seven Thousand Two Hundred Eleven (57,211) square meter.On October 8, 2015 the company signed a unilateral Deed of Absolute Sell to acquired on installment of more or less 169,904 square meters of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest payable until April 19, 2019. On June 3, 2014 the company entered into a Memorandum of Agreement (MOA) with Emma F. Almazan, to acquire more or less 116,576 square meters of parcels of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest.

As at end of December 31, 2018 the Company has already consolidated more or less 2,385,151 square meters of parcels of land making to the total land area for expansion of 4,690,485 square meters not to include the potential acquisition of 841,243 square meter which is presently the negotiation is in process.

2017

The above strategies is already conclusive, where some buyers have already reserved more or less 3,168 square meters of subdivided lot at the price of P13,000 per square meter, much more higher than the P7,500 per square meter, which is the average selling price when the company implemented its strategy in year 2014 by to hold-on to market its inventory for a much higher margin.

The Company is using "Project Percentage of Completion" (PPOC) in the recognition of revenue, the residential area of Phase 1, Phase 2 & Phase 3 are 100%, 100% & 98.00% complete, while the Countryclub is 100% complete as of December 31, 2017. The Company uses the PPOC in determining sales during the period.

Table I – The comparative figures of the results of operations for the three (3) years period ending December 31, 2017 with comparative figures of year 2016 and 2015 for the same period

	For the Years Ended December 31			**% Change**	**% Change**
In millions (Php)	**Year 2015**	**Year 2016**	**Year 2017**	**2015 vs 2016**	**2016 vs 2017**
Revenue	93.284	134.878	60.971	44.59%	(54.80%)
Expenses	43.183	108.730	69.430	151.79%	(35.55%)
Net Income (loss) before tax	50.101	26.148	(8.459)	(107.20%)	(19.24%)

Table II – The comparative figures of revenues consist of: (1) Sales from real estate business and (2) Interest Income from installments sales of real estate business for the years ended December 31, 2017with comparative figures of year 2016 for the same period

	For the years ended December 31		**% Change**
In Millions (Php)	**Year 2016**	**Year 2017**	**2016 vs 2017**
Income from Real Estate Business	134,878	60.971	(54.80%)
Accretion of Interest from Installment Sales	19.657	20.162	1.03%
Total Revenue	154.535	80.547	(55.83%)

As part of the land banking activities of the Company started in year 2012 total land acquisitions as of December 31, 2017 detailed as follows:

Acquired from	Lot area (inSq.m.)	Value of Land	Payment made	Balance Payable
All in Sn Jose Del Monte				

Bulacan				
GASDF Property	47,976	7,196,400.00	7,196,400.00	Fully paid
Don Manuel Corporation	410,377	78,201,917.21	78,201,917.21	Fully paid
BDO Strategic Holdings, Inc.	926,550	248,183,035.71	248,183,035.71	Fully paid
MargaDev't Corporation	360,000	135,878,430.13	135,878,430.13	Fully paid
Insular Life Insurance Co.,	581,500	430,474,268.00	257,515,856.75	172,958,411.25
Sub-total	***2,326,403***	***899,934,051.05***	***726,975,639.80***	***172,958,411.25***
Rocha Dev't Corporation	119,543	32,912,600.00	Under negotiation	32,912,600.00
Pagrel Corporation	344,500	103,350,000.00	Under negotiation	103,350,000.00
Apena Foods Product, Inc.	377,200	126,322.000.00	Under negotiation	126,322,000.00
Sub-total	***841,243***	***262,584,600.00***	*-0-*	***262,584,600.00***
Total (Sn Jose Del Monte)	**3,167,646**	**1,162,518,651.05**	**726,975,638.80**	**435,543,011.25**
Add; Northern Luzon Area				
Manuel Bonoan	57,211	28,605,500.00	28,605,500.00	-0-
Almazan et all	225,752	61,032,240.00	30,964,280.00	-0-
	282,963	**89,637,740.00**	**81,705,500.00**	**7,932,240.00**
Total land banking	**3,450,609**	**1,352,155,591,05**	**728,892,616.05**	**623,262,975.00**

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 of Dec 31, 2015	As of Dec 31, 2016	As of Dec 31, 2017
Current Ratio (1)	18.7220: 1	12.3066 : 1	11.872 : 1
Debt to Equity Ratio (2)	1: 0.0385	1: 0.1755	1 : 0.144
Earnings per Share (3)	1: 0.0184	1: 0.01652	1 : 0.0043
Earnings before interest and Income Taxes (4)	P50.100 million	P43,178 million	(P8.459) Million
Return on Equity	0.0208	0.0183	(0.0055)

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

Other than the above mentioned trend, specifically the trend introduced by new player in real estate company the Ayala Land, Inc., and the Avida Land Corporate has made a significant impact resulted to a sales increased . 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 are 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 in relation to Company's 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.

(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. Interest income earned from cash with banks and cash equivalents amounted to ₱0.62 million, ₱2.39 million and ₱0.68 million in 2017, 2016 and 2015 respectively

Trade receivables. The total gross amount of individually impaired receivables amounted to ₱314.918 million and ₱300.667 million as of December 31, 2017 and 2016, respectively. Some of the receivables were fully provided with allowance for impairment losses both in 2017 and 2016.

Receivables from SLRDI pertain to collections by SLRDI from customers for remittance to the Company. These are noninterest-bearing and are due on demand

Receivables from customers consist of interest-bearing and noninterest-bearing receivables which are collectible in monthly installments over a period of one to five years. Income from interests and penalties arising from late payment of these receivables amounting to ₱19.54 million, P17.27 million and P42.35 million in 2017, 2016 and 2015, respectively, are recognized as "Interests and penalties" in the "Other Income (Expense)" section in the statement of comprehensive income

Impaired installment receivables pertain to the uncollected portion of the amount arising from the sale of non-operating properties to Platinum Group Metal Corporation (PGMC) in 2005. The contract price is collectible in fixed monthly payment of P2.00 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 in an effective interest rate of 9.45%. The Company recognized full allowance on these receivables while they are currently in the process of renegotiating with the management of PGMC with respect to the settlement of the said installment receivables.

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

As of December 31, 2017 and 2016, allowance for impairment losses on individually impaired receivables amounting to ₱55.542 million and ₱55.301 million respectively

Real Estate Inventories). This account pertains to land developed for residential subdivisions under the project agreement with SLRDI. As discussed in Note 18 to the financial statements, the Company, together with SLRDI, began their regular activities in 2005 based on their project agreement. As of December 31, 2016, the residential area of Phase 1, Phase 2, and Phase 3 are 100%, 100%, and 99.68% completed, respectively, based on the physical completion report provided by the project's supervising engineer

Increase in the Real Estate for sale and development represents costs of parcel of land acquired net of lot sold during the year 2017

	2017	2016
As at January 1	P881,024,137	P947,900,462
Recognized cost of real estate sold	(21,422,829)	(66,876,325)
As at December 31	P859,601,308	P881,024,137

Land held for future development. Increase in the land held for future development account represents costs of parcel of land acquired during the year 2017

	2017	2016
As at January 1	P644,840,422	P190,684,677
Recognized cost of real estate sold	9,308,503	393,123,505
Transfer from deposit for land acquisition	-0-	61,032,240
As at December 31	P654,148,925	P644,840,422

Land Banking Activities-San Jose Del Monte, Bulacan
On August 24, 2012 the company entered 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 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. On February 21, 2014 the company signed a memorandum of understanding with Marga Capital Holdings, Inc. to acquire land located at Barrio TungkongMangga , City of San Jose Del Monte Bulacan with a total area of Three Hundred Sixty Thousand Square Meters (360,000 sq.m.)., The contract covers an installment terms without interest. On September 19, 2016 the company signed a contract to sell to acquire land from Insular Life Assurance Company LTD., located in San Jose Del Monte, Bulacan with a total lot area of Five Hundred Eighty Thousand One Hundred Fifty Four (580,154) square meters for or less. The contract covers an installment terms without interest and payable until September 16, 2020.

Land Banking Activities- City of Laoag, Ilocos Norte
On June 3, 2014 the company entered into a Memorandum of Agreement (MOA) with Emma F. Almazan, to acquire more or less 116,576 square meters of parcels of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest. On October 8, 2015 the company signed a unilateral Deed of Absolute Sell to acquired on installment of more or less 169,904 square meters of land located in Barangay Balacad, City of Laoag, Ilocos Norte, the contract covers an installment terms without interest payable until April 19, 2019, and on November 18, 2016, the company signed a deed of absolute sell to acquire *via-cash purchase land* from Manuel M. Bonoan located also in Barangay Balacad, City of Laoag, Ilocos Norte with a total lot area of Fifty Seven Thousand Two Hundred Eleven (57,211) square meter.

As at end of December 31, 2017 the Company has already consolidated more or less 2,326,403 square meters of parcels of land making to the total land area for expansion of 3,450,609 square meters not to include the potential acquisition of 841,243 square meter which is presently the negotiation is in process

Property and Equipment. The net movement in property and equipment account pertains to the recognition of provision for depreciation by the Company amounting to ₱3.287 million, and the retired/Sold of none performing equipment, partially offset by acquisition of additional property and equipment in the amount of ₱0.005 million.

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, 2019 has been incorporated hereto under caption "Annex A"

ITEM 8. CHANGES IN *and* DISAGREEMENTS WITH ACCOUNTANTSON ACCOUNTING *and* 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 2019	P878,080.00
For the year 2018	P860,890.80
For the year 2017	P782,628.00

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	71	Chairman and CEO	Filipino
Crisanto Roy B. Alcid	49	Director – President	Filipino
Cesar C. Zalamea	76	Director	Filipino
Alfonso M. Araneta	35	Director	Filipino
Luis M. Araneta	34	Director-Treasurer	Filipino
Francisco A. Segovia	65	Director	Filipino
Perry L. Pe	58	Independent Director	Filipino
Alfredo de Borja	76	Independent Director	Filipino
Alfredo D. Roa III	72	Independent Director	Filipino
Jose O. Eustaquio III	72	Chief Financial Officer	Filipino
Christine P. Base	50	Corporate Secretary	Filipino

Directors

GREGORIO MA. ARANETA III, 71 years old,Filipino, is the Chairman of the Board, CEO and Director of the Company. He is President and Chairman of ARAZA Resources Corporation and Carmel Development Corporation, Chairman of Gregorio Araneta Inc., Gregorio Araneta Management Corporation, and Gamma Holdings Corporation. He is the President and Chairman of Energy Oil and Gas Holdings, Inc., He is the President and Chairman of Belisama Hydropower Corporation and Gregorio Araneta Energy Holdings, Inc.,He is the Chairman of Philweb Corporation, He is also a director of ISM Telecommunications, Inc. Mr. Araneta studied at the University of San Francisco and Ateneo de Manila University where he earned his Bachelor of Arts Degree in Economics.

CRISANTO ROY B. ALCID, 49 years old, Filipino, is currently the President of Araneta Properties, Inc., He is also the President of Philweb Corporation, He is also the President of Envirotest Inc. and Roycomm Holdings, Inc. He holds directorship in various companies namely: Carmel Development Corporation, Gregorio Araneta, Inc., ARAZA Resources, Inc. HE. HeacockResource Corporation, Gamma Holdings, Midrac Realty, Inc., and Philippine Coastal Storage & Pipeline Corporation. Formerly, he was connected with Ayala Land, Asiatrust Development Bank and Citibank N.A. Mr. Alcid obtained his degree in Bachelor of Science in Management Engineering from Ateneo de Manila University and has completed the General Management Program at the Harvard Business School.

CESAR C. ZALAMEA, 76 years old, is one of the TOYM Awardees of 1964. He is a former Senior Vice-President and AIG Global Investment Group-Asia President & CEO. Cesar Zalamea retired from AIG after more than 50 years of service.

Mr. Zalamea joined the American International organization in the Philippines as an investment analyst in 1954 and served from 1969-1981 as President of the Philippine American Life Insurance Company (Philamlife), AIG's life insurance in the Philippines. He held posts in the government of the Philippines on two occasions, serving first as Deputy Director General of the Presidential Economic Staff and later as Chairman and CEO of the Development Bank of the Philippines. Mr. Zalamea was elected AIG Vice President, Investments in 1997 and AIG Senior Vice President, Investments in 2002. He has headed the AIG investment units in Asia since 1986, first as Managing Director of AIG Investment Corporation (Asia) Ltd., and subsequently as President & CEO of AIGGIG Asia.

ALFREDO DE BORJA, 76years old,Filipino, is one of the Directors of the Company. He is the President of Makiling Ventures, Inc. and E. Murio, Inc. He also holds directorship in various corporations such as 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., and Cebu Light Industrial Park, Inc. Mr. de Borja graduated in Ateneo de Manila University, where he obtained his degree in Bachelor of Science in Economics. He earned his Master's in Business Administration from Harvard University.

PERRY L. PE, 58 years old, Filipino, is one of the Directors of the Company. He is also a Director of Delphi Group, Inc., Oriental Petroleum & Minerals Corp., and Ace Saatchi & Saatchi Philippines, Inc., He is a Partner in Romulo, Mabanta, Buenaventura, Sayoc& De Los Angeles Law Firm.

FRANCISCO ARANETA SEGOVIA, 65 years old, Filipino, graduate from Ateneo de Manila University College - Business Management 1979, He holds directorship in Segovia& Co., Inc., S&A Industrial Corporation, RFM Corporation, He is a Director - Vice Chairman / CEO of FEATI University, He is also a Director / CEO of RPMC Resources Inc., and Swift Foods Inc.

ALFONSO ARANETA, Filipino, 35, 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 a Director of ARAZA Resources Corp., ATSI PETC, Inc. Pagrel, Inc., Gamma Properties, Inc., Securicor Security Investigation Services, Inc., and Alumma Foods, Inc., He is a Director of Belisama Hydropower Corporation and Gregorio Araneta Energy Holdings, Inc. Mr. Araneta graduated at De La Salle-College of St. Benilde, Manila where he earned his degree in Bachelor of Science in Business Administration.

LUIS M. ARANETA, Filipino, 34 years old,, is currently the Business Development Manager of Araneta Properties, Inc. He was elected Director of the Company in 2012. He is a director of Philweb Corporation 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., He is a Director of Belisama Hydropower Corporation and Gregorio Araneta Energy Holdings, 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, 72 years old, Filipino, is one of the Directors of the Company. He is presently the President of Inland Corporation and Rural Bank of Alfonso and Chairman of JJB Inland Logistics, Inc.

(2) Key Officers

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

CHRISTINE P. BASE, Filipino, 50 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 Italpinas Development Corporation, Anchor Land Holdings, Inc. and the Corporate Secretary of SBS Philippines Corporation,,Italpinas Development Corporation, SL Agritech Corporation, and 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, 72years 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 Financial Officer of Philweb Corporation,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 III is a Certified Public Accountant. He graduated from Philippine School of Business Administration with a Bachelor of Science Degree in Commerce Major in Accounting.

(3) Significant Employees

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

(4) Family relationship.

Mr. Luis M. Araneta and Mr. AlfonsoM. Araneta are the sons of Mr. Gregorio Ma. Araneta III. 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.

(5) 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 2019, 2018 and 2017 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 *	2017			

Director and CEO	2018 2019			
Crisanto Roy Alcid* President	2017 2018 2019			
Luis M. Araneta* Project Development Officer	2017 2018 2019			
Jose O. Eustaquio III* Chief Finance Officer	2017 2018 2019			
TOTAL FOR THE GROUP	2017 2018 2019	10,126,800.00 10,126,800.00 10,126,800.00		
Other Officers as a group unnamed	2017 2018 2019	5,624,000.00 5,624,000.00 5,624,000.00		

* 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 years2019, 2018 and 2017. 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, 2019. The direct and indirect record and beneficial owners of more than five percent (5%) of the Company's voting securities as of December 31, 2019 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	25.62%
Common	Gamma Properties, Inc., 21/F Citibank Tower Paseo deRoxas, Makati City	Nominee: Gregorio Ma. Araneta III	Filipino	136,000,000	Direct	6.97%
Common	Gregorio Araneta, Inc. 6/F Adamson Center Suite A, 121 LP Leviste St. Makati City	Nominee: Gregorio Ma. Araneta III	Filipino	390,277,500	Direct	20.00%
Common	LBC Express, Inc. General Aviation Center, Domestic Airport Compound, Pasay City, Metro Manila	Nominee: Santiago Araneta	Filipino	194,818,074	Direct	10.00%
Common	Olongapo Mabuhay Express Corp. LBC Compound Aviation Airport Road, Pasay City	Nominee:	Filipino	124,855,422	Direct	6.40%

(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, 2019

Title of class	Name and address of beneficial owner	No. of Shares & Nature of beneficial ownership	Citizenship	Nature of ownership	Percent of class (5)
Common	Gregorio Ma. Araneta 21/F Citibank Tower, Paseo de Roxas, Makati City	120,060	Filipino	*R&b*	0.01%
Common	Francisco A. Segovia Metro Manila	1,000	Filipino	*r&b*	0.00%
Common	Perry L. Pe Romulo Mabanta Law Offices 30/F Citibank Tower, Paseo de Roxas Makati City	1	Filipino	*r&b*	0.00%
Common	Alfredo de Borja Unit 300, Milelong Bldg. Amorsolo St. Legaspi Village, Makati City	1	Filipino	*r&b*	0.00%
Common	Alfredo D. Roa III 119 Avocado Dr., Ayala Alabang, Muntinlupa City	1	Filipino	*r&b*	0.00%
Common	Crisanto Roy B. Alcid 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	*r&b*	0.00%

Common	Alfonso Araneta 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	*r&b*	0.00%
Common	Luis Araneta 21/F Citibank Tower, Paseo de Roxas, Makati City	1	Filipino	*r&b*	0.00%
Common	Cesar Zalamea 21/F Citibank Tower, Paseo deRoxas, Makati City	1	Filipino	*r&b*	0.00%
Total		***120,067***			***0.01%***

r – record ownership
b – beneficial ownership

ITEM 12. CERTAIN RELATIONSHIPS *and*RELATED PARTYTRANSACTIONS

As of 31st December 2019, stockholders Gregorio Araneta Inc., 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	25.62%
Gamma Properties, Inc.	Common	136,000,000	Direct	6.97%
Gregorio Araneta, Inc.	Common	390,277,500	Direct	20.00%
LBC Express, Inc.	Common	195,043,074	Direct	10.00%
Olongapo Mabuhay Express Corp.	Common	124,855,422	Direct	6.40%

Messrs. Gregorio Ma. Araneta III and Francisco A Segovia 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. There are no other 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. CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

The Company has promulgated a Manual on Corporate Governance that took effect in 2002 which was revised on 2019. The Manual continues to guide the activities of the Company and compliance therewith has been consistently observed.

There has been no deviation from the Company's Manual on Corporate Governance.

The Company believes that its Manual on Corporate Governance is in line with the leading practices and principles on good governance, and such, is in full compliance.

The Company will improve its Manual Corporate Governance when appropriate and warranted, in the Board of Directors' best judgment. In addition, it will be improved when a regulatory agency such as the SEC requires the inclusion of a specific provision.

The Board

There is an effective and appropriately constituted Board who received relevant information required to properly accomplish their duties.

The Nomination Committee is mandated to ensure that there is a formal and transparent procedure for the appointment of new Directors of the Board. When appropriate, every director shall receive training, taking into account his individual qualifications and experience. Training is also available on an ongoing basis to meet individual needs.

The term of office of all directors, including independent directors and officers shall be one (1) year and until the successors are duly elected and qualified.

Board Process

Members of the Board shall meet when necessary throughout the year to adopt and review its key strategic and operational matters; approve and review major investments and funding decision; adopt and monitor appropriate internal control; and ensure that the principal risks of the Company are identified and properly managed.

The Board shall work on an agreed agenda as it reviews the key activities of the business.

The Corporate Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures. Atty. Christine P. Base holds the post.

Committees

The Board has established a number of committees with specific mandates to deal with certain aspects of its business. All of the Committees have defined terms of reference.

Audit Committee

The Audit Committee functions under the terms of reference approved by the Board. It meets at least twice a year and its roles include the review of the financial and internal reporting process, the system of internal control and management of risks and the external and internal audit process. The Audit Committee reviews the scope and results of the audit with external auditors and obtains external legal or other independent professional advice where necessary.

Other functions of the Audit Committee include the recommendation of the appointment or re-appointment of external auditors and the review of audit fees.

Nomination Committee

The Committee assesses and recommends to the Board candidates for appointment of executive and non-executive directors positions. The Committee also makes recommendations to the Board on its composition. The Committee meets as required.

Remuneration Committee

The Remuneration Committee is responsible in determining the Company's policy on executive remuneration and in specifying the remuneration and compensation packages on the employment or early termination from office of each of the executive directors of the Company. All decisions of the Remuneration Committee are only recommendatory and they are referred to the Board for final approval. The Remuneration Committee also monitors the compensation packages of other senior executives in the group below the Board level. The Committee meets as required.

Compliance Officer

The Compliance Officer (CO) is responsible for ensuring that the Company's corporate principles are consistently adhered to throughout the organization. The CO acts independently and her role is to supply the top management with the necessary information on whether the organization's decisions comply with professional rules and regulations, internal directives, regulatory authorities, and the statutory law.

As indicated in the SEC Memorandum Circular No. 15 Series of 2017, all publicly listed companies shall submit a fully accomplished Integrated Annual Corporate Governance Report (I-ACGR) on May 30 of the following year for every year that the company remains listed in the PSE. In its latest issuance due to the Corona Virus Pandemic, SEC extended the filing to July 30, 2020.

PART VI – EXHIBITS *and* SCHEDULES

ITEM 14. EXHIBITS AND SCHEDULES

(a) Reports on SEC Form 17-C

Date of Report	Nature of Item Reported
December 06, 2019	Results of ASM and Election of Officers

(b) Exhibits

1) Annex_A__Report on Sustainability
1) Annex _B_ 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 JUL 01 2020.

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

JUL 01 2020

SUBSCRIBED AND SWORN to before me this ____ day of _____, 2020 affiant(s) exhibiting tome their valid identification card:

NAME	I.D. NUMBER	DATE OF ISSUE PLACE OF ISSUE
Gregorio Ma. AranetaIII	Passport No. XX1328189	June 04, 2008 Manila, Philippines
Crisanto Roy B. Alcid	Drivers License N01-88-077406	Expiry Oct. 25, 2017 Quezon City
Christine P. Base	Passport No. XX4766696	Oct 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.

ATTY. CARLO ARTEMUS V. DIAZ
Notary Public for the City of Makati
Appointment No.: M-417 / Valid Until December 31, 2020
2/F ACT Tower 135 H.V. Dela Costa St.,
Salcedo Village, Makati City 1227
Roll No.: 65662
IBP Lifetime No.: 014850 / Manila I Chapter
PTR No: 8116241 / Makati City / 2 January 2020
MCLE Compliance No.: VI-0017273 / 24 January 2019

Doc. No. 66
Page No. 14
Book No. XXIII
Series of 2020

SCHEDULE A

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			

SCHEDULE B

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 and reclass (2)	Amounts written off And allowance For D/A (3)	Balance at end of the period
Receivable from Trade	339,974,722	77,919,409	69,214,290	-0-	348,679,841
Advances to suppliers, officers & employee	3,383,491	6,403,617	6,826,427	-0-	2,960,681
Total	343,358,213	84,323,026	76,040,717	-0-	351,640,522
Less: noncurrent portion of trade receivalbe	181,392,613	11,270,755	22,541,510	-0-	170,121,858
Current portion	161,965,500	73,052,271	53,499,207	-0-	181,518,664

SCHEDULE C

Non-Current Marketable Equity Securities, Other Long-Term Investments

In Stock, and Other Investments

Name of Issuing entity and description of investments (1)	Number of shares of Principal amount of bonds AndNotes (2)	Amounts in Pesos	Equity in earnings (losses) of Investees for the period (3)	Distribution of earnings by Investees (5)	Number of shares of principal amount of bonds andnote (6)	Amount in Pesos (7)	Dividends received from Investments not accounted for by the equity method
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
AlphalandBalesin Island	1	1,000,000	n/a	n/a	n/a	n/a	n/a
Colinas Verdes Country Club	1	700,000	n/a	n/a	n/a	n/a	n/a
Total		4,200,000					
Comprehensive income (FVOCI)		1,481,897					
Net		5,681,897					

SCHEDULE D

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
Prepaid Rentals & Others	75,922	339,538	(354,120)	-0-	61,340
Investment property	1,023,069,063	(349,012,890)	-0-	-0-	674,056,173
Prepaid Taxes	6,450,487	6,526,409	(5,886,819)	-0-	7,090,077
Input Vat	75,385,117	907,201	-0-	(6,140,371)	70,151,947
Total	**1,104,980,589**	**(341,239,742)**	**(6,240,939)**	**(6,140,371)**	**751,359,537**

SCHEDULE E

Long Term and Short Term Loan

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 sheet (2)	Amount shown under caption "Long-term debt" in related balance sheet (3)
Liability for purchased of land	115,305,608	115,305,608	-0-

SCHEDULE F

Indebtedness to Related Parties (Long-term Loans from related parties)

Name of Related	Balance at beginning of period	Balance at end of period
None	n/a	n/a

SCHEDULE G

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	n/a	n/a	n/a	n/a

SCHEDULE H (1)

Capital Stock

Title of Issue	Common
Number of share authorized	5,000,000,000
Number of shares issued and outstanding	1,951,387,570
Number of shares reserved for options, warrants, conversion & etc.	None
Number of shares held by related parties	1,026,277,497

Shares held by Directors, officers & employees	121,067
Others	925,110,073

SCHEDULE H (2)

Capital Stock 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 Class B	 30,000,000 20,000,000	 P0.01 0.01	 P300,000 200,000
1992	Change of par value from P0.01 to P1.00 Class A Class B	 150,000 100,000	 P1.00 1.00	 P150,000 100,000
1994	Change of par value from P1.00 to P0.30 Class A Class B	 150,000 100,000	 P0.30 0.30	 P45,000 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, 2019 and 2018, there were no movements in the Company's registered securities.
There are 2,155shareholders who hold 1,951,387,570 shares as of December 31, 2019

SCHEDULE J (1)

Security ownership of certain beneficial owners and managements

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	25.62%
Gregorio Araneta, Inc. (of which 18% held by Gregorio Ma. Araneta III)	Common	390,277,500	Direct	20.00%
Gamma Properties, Inc. (of which 50% held by Gregorio Ma. Araneta III)	Common	136,000,000	Direct	6.97%
Olongapo Mabuhay Express Corp. (of which 80% held by Ma. Joy A. Cruz)	Common	124,855,422	Direct	6.40%

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 / CEO and Director	60 % ofoutstanding shares	n/a
Crisanto Roy B. Alcid	President and Director	1 share	n/a
Luis M. Araneta	Director &Project Dev' Officer	1 share	n/a
RobertinaFuerte	Management Officer	None	n/a

SCHEDULE K (1)
Supplemental Statement of Financial Report

Property, Plant and Equipment

Classifications	Beginning Balance	Additions	Retired or Reclass	Balance
Office condominium unit	46,047,004			46,047,004
Building and Improvements	15,290,341		(3,146,943)	12,143,398
Machinery and Equipment	4,486,929		(4,486,929)	-0-
Transportation & Hauling Equipt	8,578,785		(3,733,380)	4,845,406
Furniture, Fixtures & Other Equipt	9.741,482	201,544	(3,285,552)	6,657,474
Total (at cost)	**84,144.541**	**201,544**	**(14,652,804)**	**69,693,282**

SCHEDULE K (2)
Supplemental Statement of Financial Report

Accumulated Depreciation - Property, Plant and Equipment

Classifications	Beginning Balance	Additions	Retired or Reclass	Balance
Office condominium unit	38,650,576	1,841,880		40,492,456
Building and Improvements	14,534,285	-0-	(2,390,558)	12,143,727
Machinery and Equipment	4,486,929	-0-	(4,486,929)	-0-
Transportation & Hauling Equipt	7,114,291	454,848	(3,733,380)	3,835,759
Furniture, Fixtures & Other Equipt	8,984,462	308,343	(3,288,570)	6,004,235
Total (at cost)	**73,770,543**	**2,605,071**	**(13,899,437)**	**62,476,177**

PART V- ARANETA PROPERTIES INC. (ARA)

SUSTAINABILITY REPORT ANNEX 2019

Contextual Information

Name of Corporation	ARANETA PROPERTIES INC. (ARA)
Location of Headquarters	21st Floor Citibank Tower, corner Villar & Valero Streets, Makati City
Location of Operations	**Araneta Properties Inc. Corporate Office (Head Office)** 21st Floor Citibank Tower, corner Villar & Valero Streets, Makati City **Colinas Verdes Subdivision and Country Club (Colinas Verdes)** San Jose Del Monte, Bulacan City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	This Annex reports on the operations of the **Head Office** and **Colinas Verdes**.
Business Model, including Primary Activities, Brands, Products, and Services	ARA is primarily engaged as a real estate business with its main objective to acquire, develop, and sell properties for a much higher margin. The Company models its owned lands into commercial, residential, and mixed-use developments similar to the Ayala Business District of Makati, the Trinoma of Quezon City, the Filinvest City of Ayala Alabang, or the Nuvali of Sta. Rosa City. This is in line with its goal of making San Jose Del Monte, Bulacan as the Queen City of the North. ARA owned a **2,364,082-square-meter (sqm)** idle cogonal land converted into residential/subdivision that is now named, Colinas Verdes Subdivision and Country Club (Colinas Verdes). Colinas Verdes is being developed through a joint venture partnership with Sta. Lucia Realty and Development, Inc. (SLRDI). The Joint Venture Agreement between ARA and SLRDI allows the Company, as the owner of the land, to be entitled to forty percent (40%) of the net proceeds; while SLRDI is entitled to sixty percent (60%) on cash or lot override. As the implementor of the masterplan, SLRDI has to carry out all the required development such as road preparation, drainage system, pavement of roads, curbs, gutters, sidewalks, water systems, deep well or water tank, electrical system, perimeters or security walls, landscaping, and development of parkways or open spaces at their own cost. The Company continues to venture its land banking activities to other parts of the country, particularly in Luzon. ARA has acquired **2,385,151 sqm** raw land in San Jose Del Monte, Bulacan, and **356,877 sqm** raw land in the Ilocos Region for future development. In Manticao, Misamis Oriental, the Company has owned **173,479 sqm** residential land complemented with a **13,796 sqm** foreshore or beach area. Information on the operating and financial highlights of **ARA** can be

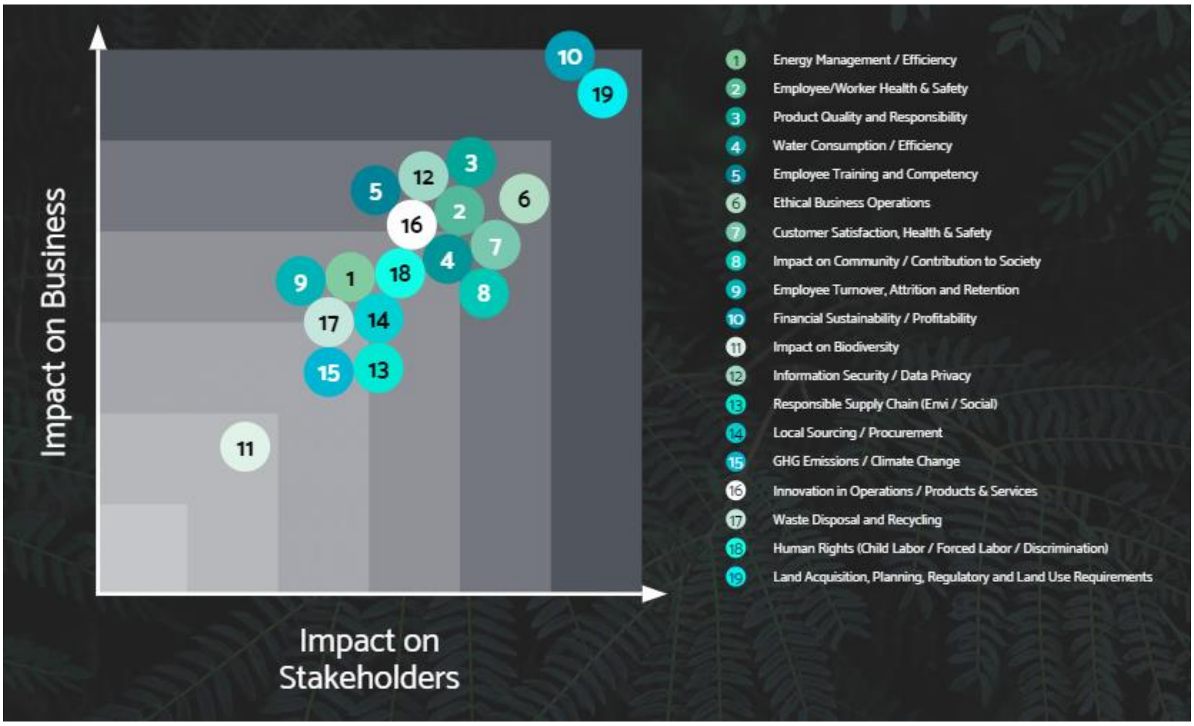
	accessed through its website at https://www.aranetaproperties.com/
Reporting period	January 1 to December 31, 2019
Highest ranking person responsible for this report	**Gregorio Ma. Araneta III** CEO and Chairman of the Board

Materiality Process

Accustomed to the timely reporting on its financial standing, ARA is extending the reporting practice of its sustainability performance, enveloping the economic, environmental, and social aspects of the Company. In its first-year report, the Company deems necessary to understand the context of Sustainability and its importance in recognizing material areas.

Reference material is provided in which ARA can study the sustainability context, sustainability reporting practice and framework, and principle of materiality, including the identification of material topics. With this material, the Company is knowledgeable in determining what issues matter to its business operations and to its stakeholders that include employees, investors, suppliers, contractors, and the government.

This leads to the Materiality Assessment that is participated by a team of professionals who have notable experiences on the overall operations of the Company. Following the Materiality Principle of the Global Reporting Initiative (GRI), the Management is guided in identifying, assessing, and prioritizing material topics for ARA through an online survey tool. The results of the assessment are shown below:



These topics are perceived by their criticality to impact the business and the stakeholders. Topics with high and medium criticality are elaborated in this report while those perceived with low criticality are deemed either as low importance to disclose or not applicable to ARA's nature of business.

Each material topic answers to a standard/s set by the GRI that helps monitor ARA's performance towards a more sustainable business (see Table A). Additionally, ARA recognizes its operations to have significant contributions to some of the Sustainable Development Goals (SDGs) of the United Nations (UN).

Table A. Alignment of Material Topics to GRI Standards and UN SDGs

Criticality	Material Topic	Relevant GRI Standard	Contribution to SDGs
High	Financial Sustainability / Profitability	**GRI 201**: Economic Performance	**SDG 1**: No Poverty **SDG 8**: Decent Work and Economic Growth
High	Land Acquisition, Planning, Regulatory, and Land Use Requirements	**GRI 304**: Biodiversity **GRI 307**: Environmental Compliance **GRI 413**: Local Communities **GRI 419**: Socioeconomic Compliance	**SDG 11**: Sustainable Cities and Communities **SDG 16**: Peace, Justice and Strong Institutions
High	Product Quality and Responsibility	**GRI 102-2**: Activities, brands, products, and services **GRI 307**: Environmental Compliance **GRI 419**: Socioeconomic Compliance	**SDG 12**: Responsible Consumption and Production **SDG 16**: Peace, Justice and Strong Institutions
High	Ethical Business Operations	**GRI 205**: Anti-corruption	**SDG 16**: Peace, Justice and Strong Institutions
High	Information Security / Data Privacy	**GRI 418**: Customer Privacy	**SDG 16**: Peace, Justice and Strong Institutions
High	Employee / Worker Health & Safety	**GRI 403**: Occupational Health and Safety	**SDG 8**: Decent Work and Economic Growth
High	Customer Satisfaction,	**GRI 416**: Customer	**SDG 3**: Good Health

	Health & Safety	Health and Safety	and Well-being
Medium	Innovation in Operations / Products & Services	**GRI 102-2**: Activities, brands, products, and services	**SDG 9**: Industry, Innovation, and Infrastructure
Medium	Water Consumption / Efficiency	**GRI 303**: Water and Effluents **GRI 306**: Effluents and Waste	**SDG 6**: Clean Water and Sanitation
Medium	Employee Training and Competency	**GRI 404**: Trainings	**SDG 8**: Decent Work and Economic Growth
Medium	Impact on Community / Contribution to Society	**GRI 203**: Indirect Economic Impacts **GRI 413**: Local Communities	**SDG 10**: Reduced Inequalities
Medium	Human Rights (Child Labor / Forced Labor / Discrimination)	**GRI 408**: Child Labor **GRI 409**: Forced or Compulsory Labor **GRI 411**: Rights of Indigenous Peoples **GRI 412**: Human Rights Assessment	**SDG 8**: Decent Work and Economic Growth **SDG 10**: Reduced Inequalities **SDG 16**: Peace, Justice and Strong Institutions
Medium	Energy Management/ Efficiency	**GRI 302**: Energy	**SDG 7**: Affordable and Clean Energy
Medium	Local Sourcing / Procurement	**GRI 102-9**: Supply chain **GRI 204**: Procurement Practice	**SDG 12**: Responsible Consumption and Production
Medium	Waste Disposal and Recycling	**GRI 306**: Effluents and Waste	**SDG 11**: Sustainable Cities and Communities **SDG 12**: Responsible Consumption and Production
Medium	Employee Turnover, Attrition and Retention	**GRI 401**: Employment **GRI 402**: Labor/Management Relations	**SDG 1**: No Poverty **SDG 8**: Decent Work and Economic Growth
Medium	Responsible Supply	**GRI 102-9**: Supply	**SDG 9**: Industry,

	Chain (Envi / Social)	chain **GRI 204**: Procurement Practices **GRI 308**: Supplier Environmental Assessment **GRI 414**: Supplier Social Assessment	Innovation, and Infrastructure **SDG 12**: Responsible Consumption and Production
Medium	GHG Emissions / Climate Change	**GRI 305**: Emissions	**SDG 13**: Climate Action
Low	Impact on Biodiversity	**GRI 304**: Biodiversity	**SDG 15**: Life on Land

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount (2019)	Amount (2018)	Units
Direct economic value generated (revenue)	53.580	108.612	M Php
Direct economic value distributed:			
a. Employee wages and benefits	22.605	22.619	M Php
b. Security Services	11.541	8.514	M Php
c. Payments to suppliers, other operating cost	12.210	14.628	M Php
d. Dividends given to stockholders	-0-	-0-	M Php
e. Interest payments to loan providers	2.840	5.269	M Php
f. Taxes paid to local and national government	10.959	11.964	M Php
g. Investments to community (e.g. donation, CSR)	-0-	0.003	M Php

Impact *and* Management Approach

ARA has been maintaining its financial performance, having not gone through a bankruptcy, receivership, or similar proceeding. Majority of the generated revenue derives from our external customers. While it gains revenue from real estate and land banking activities, we were able to distribute our earnings to stakeholders that include our employees, security personnel, suppliers, government, and loan providers. About 20% of our earnings go to the government, 42% as wages and benefits including retirement benefits to our employees, 5% to loan providers, and 44% are paid to suppliers, contractors, and other vendors, including security services.

All our employees enjoy competitive compensation and benefits packages that respect their well-being as well as the needs of their families. Training is provided to enhance their competencies in their individual fields to fostering a more productive and efficient workplace in ARA. Employee benefits and training are thoroughly discussed in the Social section of this report.

From 2018, the Company has encountered a significant net loss of 42% from revenues generated until November 2019. During the 3rd quarter of the reporting year, the Company declared a 32% reduction in the net income of its joint venture company and a 36% decline in sales. This is attributed to the marketing strategy has been implemented since 2014 that involves the reservation of land inventory for selling on a higher margin based on the expectancy of appreciation of sales forecast due to developments in nearby properties by other major developers.

This challenged ARA to thrive in its real estate business. As it dwells in the expansion of its plans, the Company continues to partner with reputable real estate companies to develop its owned lands. One of its projects is Colinas Verdes, a joint venture project with SLRDI. The said project was expanded and is at 99% completion during the reporting year and will expect a boost in revenues as it reaches 100% occupancy of all the upper-middle and high-end residential units.

The Company has maintained its Smelting Plant Property that consists of approximately 17.3 hectares of industrial/residential land. In January 1996, the smelting operations were stopped due to the depressed market for ferrochrome and increased production costs. This led to the decision of changing the business nature into land and property development, however maintaining smelting operations as a secondary purpose.

Risks *and* Management Approach

All risks of the real estate market such as price volatility of materials, natural catastrophes, downward movements in the Philippine economy, among others, also impact the Company's financial standing. The occurrence of any of these risks may force ARA to pay amounts for any damage or increased costs for any materials, utilities, and such.

ARA, through the Board, ensures that sound risk controls are implemented. Although it is currently developing its enterprise risk management (ERM), any risks are minimized through the Company policies which intend to identify opportunities that achieve the Company's objectives.

Opportunities *and* Management Approach

The Company is committed to improving its business and strategies that ensure profitability and financial sustainability. ARA focused on managing and developing a new high margin inventory, increasing efficiency on land banking, and enhancing perspective for more marketing strategies that increase economic value to the business. In this regard, ARA would be able to boost its growth and performance while developing and attaining the needs of its employees, clients, and other stakeholders in hopes of achieving the best township developments in the country.

Climate-related risks and opportunities

The Board oversees that the Company has internal controls, including a sound enterprise risk management (ERM) framework in place to effectively identify, monitor, assess, and manage key business risks. In line with this, the Company is continuously monitoring and enhancing its risk management systems and is currently developing a formal enterprise-wide integrated risk management framework for a more comprehensive and coordinated risk response strategy. ARA believes that climate-related risks and events caused by the 2-degree Celsius increase in the global temperature may significantly affect its business and its stakeholders. This is yet to consider by the Company as part of its ERM system.

Procurement Practices

Proportion spending on local and imported suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers[1]	100	%

1-Suppliers of goods and services that are readily available to market locally that does not need to go through with importation process

Impacts, Risks, Opportunities, *and* Management Approach

In 2019, all supplies, fixtures, and equipment in the Head Office are sourced locally. As part of the procurement practice, ARA checks the availability, quality, and price of requirements from local suppliers. This allows us to have faster transactions and timely delivery of requirements. No risks and opportunities are identified in relation to this topic.

Anti-corruption

Training and Communication on Anti-corruption Policies and Procedures

Disclosure	Quantity (2019)	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors & management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	0	%

Incidents of Corruption

Disclosure	Quantity (2019)	Units
Number of incidents in which directors were removed or disciplined for corruption	0	%
Number of incidents in which employees were dismissed or disciplined for corruption	0	%
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	%

Impacts, Risks, Opportunities, *and* Management Approach

It is the duty of the Board to adopt an anti-corruption policy and program in the Company's Code of Conduct. Hence, these policies, programs, and practices on anti-corruption and violations to such are effectively communicated to all employees, business partners, and directors and management of ARA. The Revised Manual of Corporate Governance is available on our company website that can be accessed at https://www.aranetaproperties.com/investors.html.

Board and Management members participate in annual training on corporate governance held on December 5, 2019. The said training also discusses anti-corruption along with other governance discussions.

Violation of anti-corruption policies is treated as unacceptable acts in the Company. Persons and/or other parties who committed such will be addressed in accordance with ARA's Employee Manual.

There are no reported incidents of corruption since the Company started its operation in 1996. Because of this, ARA continues to strictly implement anti-corruption policies and procedures and communicate them to all its stakeholders.

ENVIRONMENT

Resource Management

Energy consumption within the organization

Disclosure	Quantity (2019)	Units
Energy consumption (electricity)	21,364.92	kWh
Energy consumption (gasoline)[1]	1,413.97	L
Energy consumption (diesel)[1]	2,946.62	L
Energy consumption (LPG)	N/A	GJ
Energy consumption (renewable sources of electricity)	N/A	kWh

1-Diesel and gasoline are the cumulative consumption of the service vehicles owned by ARA.

Reduction of energy consumption

Disclosure	Quantity (2019)	Units
Energy consumption (electricity)	0	kWh
Energy consumption (gasoline	0	GJ
Energy consumption (diesel)	0	GJ
Energy consumption (LPG)	0	GJ

Impacts, Risks, *and* Management Approach

Energy has provided the Company smooth flow of transactions and activities throughout 2019. Diesel and gasoline enabled us to travel to and from project sites and other significant locations of the business. Electricity allowed uninterrupted operations in the Head Office and maximized the use of all equipment such as computers, air conditioning units, and light fixtures.

The Company implemented energy reduction initiatives starting in the Head Office. For instance, switching to energy-saving or LED lights, switching off of office lights during break-time, fifteen (15) minutes automatic screen saver mode for all computer units when idle, and migration to inverter type of electronic office fixtures, such as air-conditioning units and refrigerator. These initiatives would help us save consumption, thus lessens the cost of electricity.

Risks, Opportunities, *and* Management Approach

Interruption in the supply of power may decrease the productivity of the Company. During the reporting year, there was a minimal occurrence of power interruptions that caused significant downtime in our operations. ARA also recognizes that any factors that would influence the price change of electricity and fuel may have apparent impacts on the operating costs of the Company.

As an end-user of electricity, the Company shoulders the burden of cost change, cost savings is already in place. In case of power interruptions, ARA has installed transformers that assist the computer to operate for, at least, an hour to process data and to allow ample time for shutdown. We also consider shifting to using low consumption rates appliances & electronic devices.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	N/A	Cubic meters
Water consumption	10.4[1]	Cubic meters
Water recycled and reused	N/A	Cubic meters

1-Figure reflects the average consumption of drinking water in 2019. Data collection on consumption for domestic uses in the Head Office will be refined for disclosure in the next reporting year.

Impacts, Risks, Opportunities, *and* Management Approach

Water is a necessity in offices. We understand that for every liter of water that we consume, we could potently deprive communities or agriculture the water they need. Our water needs are supplied by a third-party water service provider, Manila Water Company. The contribution of the Company to rationalize water consumption is limited as the Head Office operations are dependent on the provisions of the Condominium Association.

Water withdrawal and consumption in Colinas Verdes are monitored by SLRDI, hence ARA has no pertinent information on said topic.

Due to the location of the Head Office, ARA has no significant opportunities related to this topic.

For future developments, we will be in constant coordination with our partners to deliver better designs and construction systems by using renewable materials, and by increasing efficiency through more economical and environmental-friendly activities.

Ecosystems and Biodiversity

There are no impacts and risks identified in our operation since our projects are not within or adjacent to biodiversity, ecosystems, or high-risk areas. Land acquisition studies are conducted before the implementation of any masterplans. Before the commencement of the Colinas Verdes project, ARA administered a high and rigid level of defining, identifying, and mitigating possible landslide-prone areas through a land integrity survey.

Environmental Impact Management

GHG

Disclosure	Quantity (2019)	Units
Direct GHG Emissions (Scope 1)[1]	11.23	TonnesCO_2e
Indirect GHG Emission (Scope 2)	15.22	TonnesCO_2e

1-Emissions for Scope 1 are based on the diesel and gasoline consumption of service vehicles owned by ARA.

Air Pollutants

Disclosure	Quantity (2019)	Units
Nitrous Oxides (NOx)	N/A	TonnesCO_2e
Sulphur Oxides (SOx)	N/A	TonnesCO_2e
Persistent Organic Pollutants (POPs)	N/A	TonnesCO_2e
Volatile Organic Compounds (VOCs)	N/A	TonnesCO_2e
Hazardous Air Pollutants (HAP)	N/A	TonnesCO_2e
Particulate Matter (PM)	N/A	TonnesCO_2e

Impacts, Risks, Opportunities, *and* Management Approach

ARA is cognizant of the fact that emissions are the primary contributor to global warming which causes climate change. Our emissions are attributable to diesel and gasoline consumption of our company vehicles, and to the electricity consumption of our Head Office. All initiatives and practices to lessen our emissions are discussed under the Energy disclosures.

In 2019, we see the opportunity to improve our monitoring of emissions and air pollutants that will serve as our baseline information to lessen our emissions in future developments.

Solid and Hazardous Wastes

Solid waste

Disclosure	Quantity (2019)	Units
Total solid waste generated	No formal data in 2019.	kg
Reusable		kg
Recyclable		kg
Composted		kg
Incinerated		kg
Residuals /landfill		kg

Hazardous waste

Disclosure	Quantity (2019)	Units
Total hazardous waste generated	No formal data in 2019.	kg
Total hazardous waste transported		kg

Impacts, Risks, *and* Management Approach

The Joint Venture Agreement granted SRLDI full responsibility as the property developer of Colinas Verdes. All development and construction activities, including waste management, are implemented by SLRDI. ARA will optimize possible interventions to explore other options and find variables to collect data for disclosure in the next reporting year.

All generated wastes in the Head Office are disposed of through a collection funnel flow that directs to the garbage deck located in the ground level area of the building. The operation and maintenance of said facility are managed and controlled by the Citibank Tower Administration.

Improper management of wastes may indirectly affect the environment, causing health problems to employees of the Head Office, and nearby communities and residents of Colinas Verdes. Hence, our project plans include waste management practices and our employees in the Head Office observe proper segregation and disposal of wastes as well to prevent the proliferation of health and environmental risks.

Opportunities *and* Management Approach

In improving our waste management practices, ARA is looking for more responsible ways to rationalize and recycle scratch papers and other possible recyclable supplies. We will continue to practice the proper segregation of biodegradable and non-biodegradable wastes.

Effluents

Data and related information for this topic are unavailable as of the reporting year. Hence, we are studying approaches to measure effluents in our project sites to further improve disclosures on this topic.

Environmental compliance

Non-Compliance with Environmental Law and Regulations

Disclosure	Quantity (2019)	Units
Total amount of monetary fines for non-compliance with environmental laws and /or regulations	0	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No of cases resolved through dispute resolution mechanism	0	#

Impacts, Risks, *and* Management Approach

Engaged as a real estate business, ARA, through SLRDI, is required to obtain approval of the following documents to ensure sustainable and environment-friendly business activities:

- Environmental Compliance Certificate (ECC) as required by the DENR;
- Land Use License as required by the Housing and Land Use Regulatory Board (HLURB); and

- Zoning and Location Mapping Survey as required by the Local Government Office.

Failure to obtain clearance from said government requirements may impede the development of the projects, hence causing additional costs and delayed delivery and turnover of projects to our clients. Issues on non-compliance are prevented through regular monitoring and total ECC awareness on the part of the Developer to ensure full compliance with the regulatory requirements.

Opportunities *and* Management Approach

ARA continues to adhere to all environmental laws and regulations. Regular monitoring of compliance of SLRDI is strictly conducted to assure an uninterrupted and legal flow of operations.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity (2019)	Units
Total number of employees	26[1]	#
a. Number of female employees	11[1]	#
b. Number of male employees	15[1]	#
Attrition rate	0	Rate
Ratio of lowest paid employee against minimum wage	8:5	Ratio

1-Figures reflect the headcount of employees in the Head Office.

Employees benefits

List of Benefits	Y/N	% of male employees who availed for the year	% of female employees who availed for the year
SSS	Y	13	9
PhilHealth	Y	7	18
Pag-IBIG	Y	60	73
Parental Leaves	Y	0	0
Vacation Leaves[1]	Y	100	100
Sick Leaves[1]	Y	40	82
Medical benefits (aside from PhilHealth)[2]	Y	No formal data in 2019	
Housing assistance (aside from Pag-IBIG Fund)	Y	27	18%
Retirement fund (aside from SSS)	Y	7	0
Further Education support	Y	27	0
Company Stock Option Plan	N	N/A	N/A
Telecom allowance	Y	40	64
Transportation Allowance	Y	7	9
Flexible - working hours	Y	27	27
Rice Subsidy	N	N/A	N/A

1-Vacation Leaves are scheduled during the year while sick leaves are availed when it occurs. If 50% of sick leave credits are unused, they are monetized and converted to cash at year-end.

2-100% of employees are covered with at least PhP40,000.00 per year for entry-level. The number of employees who availed the in-house funded HMO benefits will be accounted for moving forward which will be disclosed in the next reporting year.

Diversity and Equal Opportunity

Disclosure	Quantity (2019)	Units
% of female workers in the workforce	42	%
% of male workers in the workforce	58	%
Number of employees from indigenous communities	0	#
Number of employees above 50 years of age (Vulnerable sector)	8	#

Impacts, Risks, Opportunities, *and* Management Approach

ARA employs human resource policies that provide remuneration that is competitive and fair and encourages a competency-based recruitment process. In 2019, the Company boasts low turnovers as a result of full compliance of wages order, payments of overtime pay, service incentive leave, and health care programs.

The Management has an on-hand policy and standard rate in hiring new employees. Ordinary employees are given above minimum daily wages set by the Tripartite Wages and Productivity Wages Board, while professionals are based on the industry prevailing rates.

However, there may be issues of job mismatch that may fail to fulfill the duties and responsibilities required by the Company. In case of this issue, the Company has a Grievance Committee to address this in accordance with human resource policies.

The Management plans to provide facilities that would cater to the needs of employees deemed as under the vulnerable group. Review of human resource policies, including conflict of interest situations, compensation programs, and management succession plans is regularly conducted by the Board as part of its internal control responsibilities. This is a continuous commitment to improving policies at hand that would help retain talents in the Company.

Employee Training and Development

Disclosure	Quantity (2019)	Units
Total training hours provided to employees	Due to limited access, training hours will be disclosed in the next reporting year.	
a. Female employees		Hours
b. Male employees		Hours
Average training hours provided to employees		
a. Female employees		Hours/employee
b. Male employees		Hours/employee

Impacts *and* Management Approach

Continuous learning and development of our employees provide them the competencies to hone and perform better in their individual fields and become more productive. This contributes to the further realization of the Company's growth plans as benefited from employees' enhanced knowledge of their respective areas. Employees are obliged to participate in mandatory continuing legal education (MCLE), in continuing professional education (CPE) or other seminars such as taxation.

The level of training hours is strategically decided based on employees' positions. For top management, training hours are determined by the Board; for supervisors and rank & file employees, the managers determine the training hours.

Risks *and* Management Approach

Employees may have stagnant working status and development due to the insufficient provision of skills training. Thus, it is treated as a risk to the Company as this may hinder the implementation of growth plans. Hence, ARA, through its HR, constantly conducts monitoring of its employees' development.

Opportunities *and* Management Approach

ARA ensures to be in-the-know of all recent developments in the real estate industry, internal and administrative processes, and other operations the Company conducts. We have, at hand, a comprehensive policy on learning and education that is subject to updates depending on the present trends.

Labor-Management Relations

Disclosure	Quantity (2019)	Units
% of employees covered with Collective Bargaining Agreements (CBA)	N/A	%
Number of consultations conducted with employees concerning employee-related policies	0	#

Impacts, Risks, *and* Management Approach

During the reporting year, employees were not subjected to CBA and no labor union was formed in our Company. We maintain a healthy workplace where the relationship of employees and management are harmonious, and concerns are heard of. In case of conflicts, the Grievance Committee handles them in accordance with the employee manual.

Upon the hiring of new employees, Employee Manual and related Corporate Discipline are provided. Prior to the implementation of new employee policies, we conduct consultations with employees through the dissemination of surveys that ask how will the policy/ies affect them.

Opportunities *and* Management Approach

The Company's whistleblowing policy is still currently formulated. This policy aims to establish avenues for employees to freely raise their concerns on illegal or unethical activities without the fear of punishment and to allow them direct access to an independent member of the Board or a Committee responsible.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity (2019)	Units
Safe Man-Hours	No data available	Man-hours
Number of work-related injuries	0	#
Number of work-related fatalities	0	#
Number of work-related ill-health	0	#
Number of safety drills[1]	2	#

1-*This disclosure only includes information in the Head Office.*

Impacts, Risks, *and* Management Approach

The health and safety of our employees is a priority of ARA. We believe creating a symbiotic environment where the health, safety, and welfare of employees are considered significant to realize the Company's goals.

Hence, the Company protects its employees' health and safety through participation in safety drills. Additionally, all employees are entitled to insurances from SSS, PhilHealth, in-house health coverage, and retirement benefits to relieve employees of a portion of expenses for any occurrence of health-related issues.

Opportunities *and* Management Approach

We will establish a data management system to effectively collect data on OHS for all our projects. We aim to report better disclosures by 2020.

Labor Laws and Human Rights

Disclosure	Quantity (2019)	Units
Number of legal actions or employee grievances involving forced or child labor	0	#

Disclosure	Y/N	If yes, cite the reference in the Company Policy
Forced labor	Y	Employee Manual
Child labor	Y	Employee Manual
Human Rights	Y	Employee Manual

Impacts, Risks, *and* Management Approach

The Company complies with the highest labor standards that disallow any violations of labor laws and human rights (e.g. harassment and bullying) in the workplace. Child labor, forced labor, and violation of human rights in the workplace may directly manifest in our employees' productivity and well-being.

It is the Board's responsibility to establish policies, programs, and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance. Hence, all employees are provided with individual copies of the Employee Manual as their reference on ARA's policies and procedures and as a guide on how to conduct themselves off the Company's culture and ethics.

Opportunities *and* Management Approach

ARA regularly reviews its policies and procedures, including those that pertain to labor laws and human rights, through quarterly or special Board meetings as part of its facilitation of effective performance management. This is to align all efforts and strategies to ARA's overall direction.

Supply Chain Management

As the landowner, ARA is responsible for the monitoring of the performance of the joint venture project. Hence, the accreditation of suppliers is not material to the Company.

This allows ARA the opportunity to formalize supplier accreditation policy, including environmental and social criteria, to extend its accountability of assuring the individual responsibilities of parties on those aspects while ensuring a standard quality of work in all its projects.

Relationship with Community

Significant Impacts on Local Communities

Operations with Significant impacts on local communities: **Colinas Verdes Subdivision and Country Club**
Aside from being a residential community, Colinas Verdes offers amenities that provide leisure to residents. Amenities are discussed under the “Customer Satisfaction” topic of this report. **Location**: Colinas Verdes is located at San Jose Del Monte, Bulacan (SJDMB), a southern portion of Central Luzon **Vulnerable groups:** Everyone including vulnerable groups are served. **Impact on Indigenous Peoples (Ips):** No negative impacts on indigenous groups as there are no identified IPs during land acquisition study. **Community rights and concerns of communities:** It allows the residents to exercise their rights to own property, to rest and leisure, and to a standard of living adequate for the health and well-being of an individual, including food, clothing, housing, and medical care and necessary social services. **Mitigating Measures:** Operations have no significant negative impact hence it requires no mitigating measures.

Free and Prior Informed Consent (FPIC) is not material to ARA as there are no operations that are within or adjacent to ancestral domains of indigenous peoples.

Impacts, Risks, Opportunities, *and* Management Approach

Prior to the implementation of the Colinas Verdes project, there were no identified negative impacts on any vulnerable groups – no refugees affected, and no person/s were displaced – since the project is built on idle and cogonal land.

ARA sees its land banking business as an investment that creates positive benefits to communities in San Jose Del Monte and may extend to nearby communities such as Caloocan City. Began with Colinas Verdes, this provided more infrastructure and employment opportunities that effectively increases the zonal value of the land and market value of the property.

The Company has yet to formalize procedure and approach in accounting community impact disclosures for the year 2020 which will be disclosed in the next reporting year.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third-party conduct the customer satisfaction ratings (Y/N)?
Customers satisfaction survey	No surveys were done in 2019	N/A

Impacts, Risks, Opportunities, *and* Management Approach

Colinas Verdes is built wherein residents get to enjoy a pristine life. It offers amenities that allow the residents to balance work or study with leisure activities. The Country Club includes the following facilities:

- Swimming Pool and Wading Pool
- Tennis Court
- Badminton Court
- Basketball Court
- Bowling Lanes
- Jogging Paths
- Massage and Sauna
- Game Room
- Children's Playground

The Company believes that the customer is always right. We provide avenues where customers or residents raise their concerns regarding any unlikely occurrences in the subdivision. Security personnel in Colinas Verdes are the front-end persons to whom our customers or residents may communicate with. During contract agreements with buyers, ARA employees hand out their business cards to buyers for any questions or concerns on the transaction.

However, for 2019, ARA has no data available to measure client satisfaction and method in collecting such concerns from clients. Hence, we see this as an opportunity for the Company to improve the disclosure for this topic in the next reporting years. The Management will discuss with the Board on policies that recognize the welfare of customers and other stakeholders who hold interest in ARA.

Health and Safety

Disclosure	Quantity (2019)	Units
Number of substantiated complaints on product or service health and safety	0	#
Number of complaints addressed	0	#

Impacts, Risks, Opportunities, *and* Management Approach

As of the reporting year, no complaints about health and safety were raised by homeowners in Colinas Verdes. ARA and SLRDI ensure all homeowners are protected from any harm while inside the property. Part of the subdivision's masterplan is a 24-hour security gate and guardhouse where our security personnel screens visitors before entry. A perimeter fence is built around the property to prevent any unauthorized access.

Any incidents on the health and safety of residents that are caused by lapses in the development of the property may affect the reputation of Colinas Verdes, hence may also affect ARA and SLRDI's management. To avoid such incidents, ARA continues to implement and strengthen security protocols to ensure the safety of residents and visitors in Colinas Verdes.

Marketing and labeling

The Company commissioned Orchard Property Marketing Corporation (OPMC) as the official marketer for our Colinas Verdes project. The joint venture agreement allowed OPMC, an independent marketing firm, to sell projects developed by SLRDI. Hence, this topic is not material to ARA.

However, our marketing strategies have been favorable to our increased sales over the years. ARA fine-tuned its whole system that maintains and improves Colinas Verdes as the subdivision's brand name and gained its position to the market. This has enhanced the perspective for more marketing strategies as it competes with other real estate industry players.

Customer Privacy

Disclosure	Quantity	Units
Number of substantiated complaints on customer privacy	0	#
Number of complaints addressed	0	#
Number of customers, users, and account holders whose information is used for secondary purposes	0	#

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts, and losses of data	0	#

Impacts *and* Management Approach

ARA received no complaints or any issues related to violation of customer privacy and data security. This is attributed to the defined policy of the Company stating that only the buyer has the authority to ask for any document/s related to the transaction with ARA.

Risks *and* Management Approach

We recognize the existence of data breaches, leaks, thefts, losses, and use of customer information for secondary purposes. In cases for the occurrence of said risks, ARA delegates the Legal Officers to handle and address complaints concerning customer privacy and data security.

In establishing solutions in data security, it will protect the related parties such as, but not limited to, client, suppliers, and stakeholders with business interest to the Company. We will draw the line to be able to formulate some regulations or solution to be able to expand the existing protocols to ensure data security protection and secrecy or confidentiality.

Opportunities *and* Management Approach

With the present trend in wireless convergence, specifically the on-line and internet transaction, some establishments with weak privacy protection are the usual victim of privacy breach like the commonly known as account hacking. The Management will revisit systems and protocols at hand to be able to upgrade and strengthen the present procedure to ensure privacy and/or to protect customer data.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and their contribution to sustainable development

Real Estate Development

ARA helps families achieve their dreams of owning a home. This is rooted in a deep understanding of the needs of customers and builds for them a house that meets their needs wherever they are in their journey towards financial freedom. Knowing that Bulacan's population steadily grows five percent annually, our residential developments were expanded to meet the housing requirements in the said province. In 2019, the Company has built a total of 301 residential units with 265 units occupied.

To ensure the comfort of residents, Colinas Verdes is equipped with various infrastructures that are reliable and accessible to support their basic needs. With its strategic location, Colinas Verdes is adjacent to transportation modes such as the Metro Rail Transit Line 7 (MRT-7) and commercial areas such as shopping centers that offer movement and access for residents.

Our business also provides employment opportunities that contribute to the economic growth in the local community where we operate. Specifically, our construction activities require enough labor workers to finish our projects in accordance with the project schedules. The development of the Colinas Verdes project has also benefited 390 security personnel to implement security measures as residents enjoy the services in the subdivision.

Potential Negative Impact of Contribution

Working on its responsibility as landowners and land developers, ARA recognizes the potential impacts its operations bring to the people and to the environment. These are the following:

- Increased demand for basic services such as water and electricity
- Increased waste generation
- Increase in traffic volume and air pollution in the area
- Increased wastewater discharge

Management Approach to Negative Impact

It is the Company's goal to develop lands into spaces that benefit the physical and social well-being of its customers. Our developments are patterned after the masterplan that is designed by Duany-Plater-Zyberk (DPZ), a Florida-based firm, that applies the concept of new urbanism. ARA's lands are converted into communities where people get to enjoy residing in neighborhoods that encourage them to interact with their built and natural surroundings. We seek to establish communities where people do not see the need to travel to the Central Business Districts (CBDs) to satisfy their needs, lessening the movement to Metro Manila.

Anchoring on the principles of sustainable development, the Company and its partner developers are studying the feasibility of investing in environmentally responsible technologies and facilities that would ensure maximum efficiency in the use of energy and water, would manage wastes, and control any pollution in the air and water

Araneta Properties, Inc.

Financial Statements
December 31, 2019 and 2018
andYears Ended December 31, 2019, 2018
and 2017

and

Independent Auditor's Report

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 1 5 2 2 4 9

COMPANY NAME

A R A N E T A   P R O P E R T I E S ,   I N C .

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

2 1 S T   F L O O R ,   C I T I B A N K   T O W E R ,   P A
S E O   D E   R O X A S ,   M A K A T I   C I T Y

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
Not Applicable	**(02) 8848-1501**	**Not Applicable**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,146	**12/06**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Gerardo Deloso	**gerardo_deloso@yahoo.com**	**(02) 8848-1501**	**Not Applicable**

CONTACT PERSON's ADDRESS

21st Floor, Citibank Tower, Paseo de Roxas, Makati City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SGVFSM000811

ARANETA PROPERTIES, INC.

21ST FLOOR CITIBANK TOWER PASEO DE ROXA S, 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 (SRC RULE 68)

The Management of **Araneta Properties, Inc.,** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019, and 2018 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip, Gorres, Velayo and Co., the independent auditors, appointed by the stockholders has audited the financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

GREGORIO MA. ARANETA III Chairman of the Board *and* CEO	**CRISANTO ROY B. ALCID** President

JOSE O. EUSTAQUIO III
Chief Finance Officer

Date Approved
____________, 2020

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 MAKATI CITY
REVENUE DISTRICT OFFICE NO. 50
SOUTH NCR
RECEIVED
JUN 30 2020
INITIAL:
RCO NAME: RANILLO L.
RCO CODE 009835

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

MAKATI CITY

SUBSCRIBED AND SWORN to before me this 26 the day of JUN 2020, 2020 at Makati City, Philippines, affiant exhibiting to me their Identification Cards as follows:

Name	Identification Card Number
Gregorio Ma. Araneta III	TIN#136-998-184
Crisanto Roy B. Alcid	TIN#107-973-163
Jose O. Eustaquio III	TIN#108-128-015

Notary Public

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No. 8116016, Jan. 2, 2020, Makati City
Roll No. 45790, IBP, Lifetime N. 04897
MCLE No.VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

Doc. No. 278;
Page No. 41;
Book No. III;
Series of 2020.

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8A MAKATI CITY
REVENUE DISTRICT OFFICE NO. 50
SOUTH MAKATI
RECEIVED
JUN 30 2020
INITIAL: DATE:
RCO NAME: RANILLO VILLENA RCO CODE 005935

ARANETA PROPERTIES, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 16)	**₱4,074,862**	₱27,360,025
Trade and other receivables (Notes 5, 16 and 17)	**181,518,664**	161,965,600
Real estate inventories (Notes 6 and 17)	**884,385,885**	505,060,705
Input value-added tax (VAT) - net	**70,151,947**	75,385,117
Prepaid taxes	**7,151,417**	6,526,409
Total Current Assets	**1,147,282,775**	776,297,856
Noncurrent Assets		
Trade receivables - net of current portion (Notes 5, 16 and 17)	**170,121,858**	181,392,613
Property and equipment (Note 8)	**7,217,105**	10,373,999
Investment properties? (Note 9)	**674,056,173**	1,023,069,063
Equity instruments at fair value through other comprehensive income (FVOCI)	**5,681,897**	4,231,898
Total Noncurrent Assets	**857,077,033**	1,219,067,573
TOTAL ASSETS	**₱2,004,359,808**	₱1,995,365,429
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 10 and 16)	**₱27,519,980**	₱35,649,694
Current portion of liability for purchased land (Notes 11 and 16)	**115,305,608**	58,156,238
Income tax payable	**812,477**	–
Due to related parties (Notes 12 and 16)	**30,745,769**	13,805,287
Total Current Liabilities	**174,383,834**	107,611,219
Noncurrent Liabilities		
Liability for purchased land - net of current portion (Notes 11 and 16)	**–**	55,481,641
Retirement benefit obligation (Note 13)	**25,691,340**	21,752,706
Deferred tax liability - net (Note 14)	**37,451,959**	36,258,914
Total Noncurrent Liabilities	**63,143,299**	113,493,261
Total Liabilities	**237,527,133**	221,104,480
Equity		
Capital stock - ₱1 par value		
Authorized - 5,000,000,000 shares		
Issued - 1,951,387,570 shares (Note 16)	**1,951,387,570**	1,951,387,570
Additional paid-in capital (Note 16)	**201,228,674**	201,228,674
Other components of equity	**2,726,897**	1,711,897
Remeasurement losses on retirement benefit plan (Note 13)	**(1,388,663)**	(310,430)
Deficit (Note 16)	**(387,121,803)**	(379,756,762)
Total Equity	**1,766,832,675**	1,774,260,949
TOTAL LIABILITIES AND EQUITY	**₱2,004,359,808**	₱1,995,365,429

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
SALE OF REAL ESTATE (Notes 5 and 17)	**₱32,896,604**	₱62,512,270	₱60,971,337
COST OF REAL ESTATE SOLD (Notes 6 and 17)	**(6,868,274)**	(13,040,595)	(21,422,829)
GROSS PROFIT	**26,028,330**	49,471,675	39,548,508
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and wages	**20,207,526**	20,396,819	23,907,047
Security services	**11,541,241**	8,513,684	12,206,473
Taxes and licenses	**9,804,969**	10,269,041	10,094,205
Depreciation (Note 8)	**2,605,071**	3,123,635	3,286,818
Retirement benefit expense (Note 13)	**2,398,302**	2,221,852	2,378,627
Professional fees	**2,344,936**	1,319,819	1,837,886
Building dues and related charges	**1,643,748**	1,613,208	1,669,262
Entertainment, amusement and recreation	**1,146,300**	729,316	1,419,533
Transportation and travel	**370,310**	407,356	832,038
Repairs and maintenance	**280,806**	434,165	982,072
Utilities	**269,491**	551,725	599,421
Others	**3,549,713**	3,443,450	4,958,307
	(56,162,413)	(53,024,070)	(64,171,689)
OTHER INCOME (EXPENSE)			
Interests, penalties and other income (Notes 4, 5, 10 and 20)	**27,551,925**	56,108,720	20,162,942
Gain on extinguishment of debt - net (Note 11)	**1,172,645**	–	–
Loss on disposal of property and equipment	**(756,385)**	–	–
Interest expense (Notes 11 and 20)	**(2,840,374)**	(5,268,597)	(7,390,895)
	25,127,811	50,840,123	12,772,047
INCOME (LOSS) BEFORE INCOME TAX	**(5,006,272)**	47,287,728	(11,851,134)
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 14)			
Current	**(1,138,624)**	(1,694,811)	(1,024,478)
Deferred	**(1,220,145)**	(14,133,035)	2,215,967
	(2,358,769)	(15,827,846)	1,191,489
NET INCOME (LOSS)	**(7,365,041)**	31,459,882	(10,659,645)
OTHER COMPREHENSIVE INCOME (LOSS)			
Item to be reclassified to profit or loss in subsequent periods			
Unrealized valuation gains on available-for-sale (AFS) financial assets	**–**	–	90,000
Items not to be reclassified to profit or loss in subsequent periods			
Net changes in fair value of equity instruments at FVOCI	**1,015,000**	1,741,897	–
Remeasurement gains (loss) on retirement benefit plan, net of deferred taxes of ₱0.46 million in 2019 ₱0.61 million in 2018 and ₱0.90 million in 2017 (Note 13)	**(1,078,233)**	1,417,382	2,109,768
	(63,233)	3,159,279	2,199,768
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱7,428,274)**	₱34,619,161	(₱8,459,877)
EARNINGS (LOSS) PER SHARE			
Basic and diluted (Note 15)	**(₱0.0038)**	₱0.0161	(₱0.0055)

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Other Components of Equity	Remeasurement Losses on Retirement Benefit Plan, net of Deferred Taxes (Note 13)	Deficit	Total
Balances at January 1, 2017	**₱1,951,387,570**	**₱201,228,674**	**(₱120,000)**	**(₱3,837,580)**	**(₱400,556,999)**	**₱1,748,101,665**
Net loss	–	–	–	–	(10,659,645)	(10,659,645)
Other comprehensive income	–	–	90,000	2,109,768	–	2,199,768
Total comprehensive income (loss)	–	–	90,000	2,109,768	(10,659,645)	(8,459,877)
Balances at December 31, 2017	**1,951,387,570**	**201,228,674**	**(30,000)**	**(1,727,812)**	**(411,216,644)**	**1,739,641,788**
Net income	–	–	–	–	31,459,882	31,459,882
Other comprehensive income	–	–	1,741,897	1,417,382	–	3,159,279
Total comprehensive income	–	–	1,741,897	1,417,382	31,459,882	34,619,161
Balances at December 31, 2018	**1,951,387,570**	**201,228,674**	**1,711,897**	**(310,430)**	**(379,756,762)**	**1,774,260,949**
Net loss	–	–	–	–	(7,365,041)	(7,365,041)
Other comprehensive income (loss)	–	–	1,015,000	(1,078,233)	–	(63,233)
Total comprehensive income (loss)	–	–	1,015,000	(1,078,233)	(7,365,041)	(7,428,274)
Balances at December 31, 2019	**₱1,951,387,570**	**₱201,228,674**	**₱2,726,897**	**(₱1,388,663)**	**(₱387,121,803)**	**₱1,766,832,675**

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱5,006,272)**	₱47,287,728	(₱11,851,134)
Adjustments for:			
Interest expense (Notes 11 and 20)	**2,840,374**	5,268,597	7,390,895
Depreciation (Note 8)	**2,605,071**	3,123,635	3,286,818
Retirement benefit expense (Note 13)	**2,398,302**	1,614,402	2,378,627
Loss on disposal of property and equipment	**756,385**	–	–
Provision for impairment losses on receivables (Note 5)	**–**	–	241,290
Interest income (Note 4)	**(185,069)**	(207,381)	(616,384)
Net gain on extinguishment of debt (Note 11)	**(1,172,645)**	–	–
Operating incomebefore working capital changes	**2,236,146**	57,086,981	830,112
Decrease (increase) in:			
Trade and other receivables	**(8,282,309)**	(26,432,956)	(15,512,468)
Real estate inventories	**5,026,845**	8,203,141	21,422,829
Input VAT	**5,233,170**	5,381,294	(1,212,946)
Prepaid taxes	**(625,008)**	–	–
Increase in accounts payable and accrued expenses	**(8,129,714)**	2,644,211	2,373,979
Net cash generated from (used in) operations	**(4,540,870)**	46,882,671	7,901,506
Interest received	**185,069**	207,381	616,384
Income taxes paid	**(326,147)**	(1,001,580)	20,258
Net cash flows provided by (used in) operating activities	**(4,681,948)**	46,088,472	8,538,148
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investment properties (Notes 7, 9 and 20)	**(35,339,135)**	(12,655,485)	(9,308,503)
Acquisitions of property and equipment (Note 8)	**(204,562)**	(1,796,756)	(49,374)
Net cash flows used in investing activities	**(35,543,697)**	(14,452,241)	(9,357,877)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in due to related parties (Note 12)	**16,940,482**	–	–
Decrease in due from related parties (Note 12)	**–**	34,728,163	16,105,830
Payment of liability for purchased land (Note 20)	**–**	(66,085,043)	(64,152,804)
Net cash flows provided by (used in) financing activities	**16,940,482**	(31,356,880)	(48,046,974)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(23,285,163)**	279,351	(48,866,703)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**27,360,025**	27,080,674	75,947,377
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱4,074,862**	₱27,360,025	₱27,080,674

See accompanying Notes to Financial Statements.

1. Corporate Information and Authorization for Issuance of Financial Statements

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 and principal place of business is at 21st Floor, Citibank Tower, Paseo de Roxas,Makati City.

Authorization for Issuance of Financial Statements
The financial statements of the Company as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were authorized for issuance by the Company's Board of Directors (BOD) on June23, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation
The financial statements have been prepared under the historical cost basis, except for equity instruments 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.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), which include the availment of the relief granted by the SEC under Memorandum Circular No. 4-2020 as discussed in the section below on Adoption of New and Amended Accounting Standards and Interpretations. PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2019. Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Company's financial position or performance.

The nature and impact of each new standards and amendment are described below:

- PFRS 16, *Leases*
  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

  The Company adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

  Upon adoption of PFRS 16, the Company assessed that its lease contract qualifies as a short-term lease. Therefore, no right-of-use assets and lease liabilities were recognized.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately;
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
  - How an entity considers changes in facts and circumstances.

  The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  Based on the Company's assessment, it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the adoption of this Interpretation has no significant impact on the financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

- o Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- o Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

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

Effective beginning on or after January 1, 2020

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

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments do not have any impact on the Company's financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

These amendments do not have any impact on the Company's financial statements.

Deferred effectivity

- Amendments to PFRS 10, *Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  These amendments do not have any impact on the Company's financial statements.

- Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry
InMarch 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of PFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

  For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

  The Company opted to avail of the relief as provided by the SEC. TheCompany does not expect any effect on its financial statements.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and are subject to an insignificant risk of change in value.

Financial Instruments – Initial Recognition and Subsequent Measurement effective January 1, 2018
Initial recognition
The Company classifies financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. Except for trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement of financial assets
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through OCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- Financial assets designated at fair value through OCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Financial assets at amortized cost
The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured using the effective interest (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. This accounting policy relates to the Company's "Cash and cash equivalents", and "Trade and other receivables".

Financial assets at FVOCI
Debt instruments. The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As of December 31, 2019 and 2018, the Company does not have debt instruments at FVOCI.

Equity instruments. The Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its quoted equity investments under this category.

Financial assets at FVTPL
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

<u>Impairment of Financial Assets effective January 1, 2018</u>
TheCompany recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are also recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

TheCompany applies a simplified approach in calculating ECLs for "Trade receivables". Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. Both arefurther adjusted for forward-looking factors specific to the debtors and the economic environment.

For all debt financial assets other than trade receivables, ECLs are recognized using the general approach wherein the Company tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Company from the time of origination.

TheCompany's "Cash and cash equivalents" are graded to be low credit risk investment based on the credit ratings of depository banks and related parties as published by Bloomberg Terminal.

Write-off policy effective January 1, 2018
The Company writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Reclassifications of Financial Instruments effective January 1, 2018
The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

Financial Instruments - Initial Recognition and Subsequent Measurement prior to January 1, 2018
Initial Recognition
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 fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs.

The Company classifies its financial assets in the following categories: financial assets at FVPL,available-for-sale (AFS) financial assets, held-to-maturity (HTM) investments and loans andreceivables. The classification depends on the purpose for which the investments were acquired andwhether they are quoted in an active market. Management determines the classification of itsinvestments at initial recognition and, where allowed and appropriate, re-evaluates such designationat every reporting date. Financial liabilities are classified as financial liabilities at FVPL or otherfinancial liabilities.

Financial Assets
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 financial assets at FVPL.

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 (EIR) 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 EIR. 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 collectability 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 the statement of changes in equity 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 EIR 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.

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

Issued financial liabilities or their components, which are not designated as financial liabilities 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 EIR 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 EIR.

Impairment of Financial Assets prior to January 1, 2018
The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a 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 (or events) 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 borrower or a group of borrowers is experiencing significant financial difficulty, default or

delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of 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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of counterparty, credit history, past due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on historical loss experience is based and to remove the effects of conditions in the historical period that do not which the exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Derecognition of Financial Assets and Liabilities
Financial Asset
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 rights to receive cash flows from the asset have expired;
- 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.

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

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

Financial Liabilities
A financial liabilityis derecognizedwhen theobligationunder the financial liabilityis dischargedorcancelled or has expired. Whereanexistingfinancial liabilityis replacedbyanother fromthesamelender onsubstantiallydifferent terms, or theterms of an existingfinancialliabilityaresubstantiallymodified, suchan exchange or modification is treatedas a derecognition of theoriginal liabilityandtherecognition of a newfinancialliability, andthe difference intherespectivecarryingamounts isrecognizedinthestatements of comprehensiveincome.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or,
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date 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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Current versus Noncurrent Classification
The Company presents assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Interests in Joint Operations
Interests in joint operations represent one or more assets, usually in the form of real estate development, contributed to, or acquired for the purpose of the joint operations. The assets are used to obtain benefits for the operators. Each operator takes a share of the output from the assets, as agreed between parties and each bears an agreed share of the expenses incurred. These joint operations do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the operators themselves. Each operator has control over its share of future economic benefits through its share of the results of the joint operation. Contribution of the Company to the joint operation is included in real estate inventories.

The Company's project agreement with Sta. Lucia Realty and Development, Inc. (SLRDI) and Sta. Lucia Land, Inc.(SLI) are accounted for as a joint operation (see Note 17).

Real Estate Inventories
Property acquired or those that are being developed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Land cost;
- Borrowing costs, professional fees, property transfer taxes 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 necessary to make the sale.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

Prepaid Taxes
Prepaid taxes pertain to the excess payment against the current income tax due which are expected to be utilized as payment for income taxes within twelve (12) months.

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 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 separately.

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

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

The useful life and method of depreciation is reviewed periodically to ensure that the periods and method of depreciation is 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 the statement of comprehensive income as part of profit or loss in the year the asset is derecognized.

Fully depreciated 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 the statement of comprehensive income as part of profit or loss in the year 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.

Investment property also consist of land held for future development that are carried at the lower of cost and NRV. All costs incurred that are directly and clearly associated with the acquisition of the land and obtaining the necessary land conversion approval, including borrowing costs, are capitalized to land held under development. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale.

Deposit for Land Acquisition

This represents deposits made to land owners for the purchase of certain parcels of land that are intended for future development. The Company normally makes deposits before a Contract to Sell (CTS) or Deed of Absolute Sale is executed between the Company and the land owner. Deposit for land acquisition is initially measured at cost, including transaction costs. Subsequent to initial recognition, deposit for land acquisition is stated at cost less any accumulated impairment losses.

Impairment of Property and Equipment, Investment Property and Other Nonfinancial Assets
These assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount 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 in the statement of comprehensive income as part of profit or loss.

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 as part of profit or loss. 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) had no impairment loss been recognized for that asset in prior years.

Capital Stock and Additional Paid-in Capital
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. Additional paid-in capital represents the excess of the investors' total contribution over the stated par value of shares.

Deficit
Deficit includes accumulated 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 effective January 1, 2018
Revenue from Contract with Customers
Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of Real Estate
The Company derives primarily its sale of real estate from project agreement with SLRDI. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Company uses the output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods transferred to date, relative to the remaining goods promised under the contract. Progress is measured using survey of performance completed to date. This is based on the project accomplishment report prepared by the project's supervising engineers which integrates the surveys of performance to date of the construction activities.

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

Income from Penalties and Other Income
Income from penalties and other income is recognized when earned.

Cost and Expense Recognition
Cost of Real Estate Sold
The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets. These include costs of land, planning and design, professional fees, property transfer taxes, among others. These costs are allocated to the saleable area, with the portion allocable to the sold units being recognized as cost of real estate sold while the portion allocable to the unsold units being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contractconditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

General and Administrative Expenses
General and administrative expenses constitute costs of administering the business and are expensed as incurred.

Contract Balances
Trade Receivables
Trade receivables represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets
A contract asset is the right to consideration in exchange for goods transferred to the customer. If the Company performs by transferring goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract Liabilities
A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

The contract liabilities also include payments received by the Company from the customers for which revenue recognition has not yet commenced.

Costs to Obtain Contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. These are charged to expense in the period in which the related revenue is recognized as earned.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, derecognition and impairment of capitalized costs to obtain a contract
The Company amortizes capitalized costs to obtain a contract to cost of real estate sold over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization is included within cost of real estate sold.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Revenue Recognition prior to January 1, 2018
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 arising from the project agreement with SLRDI 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 project’s supervising engineer’s percentage of completion report.

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

Income from Penalties and Other Income
Income from penalties and 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 while interest expenses are accrued in the appropriate period.

Cost of Real Estate Sold
Cost of real estate sales arising from the project agreement with SLRDI is recognized consistent with the revenue recognition method applied. Cost of subdivision land includes land cost, planning and design costs, professional fees, property transfer taxes and other related costs.

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 defined benefit liability
- Remeasurements of defined benefit liability

Service costs which may include current service costs, past service costs and gains or losses on non-routine settlements are recognized in the statement of comprehensive income as part of 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 applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized in the statement of comprehensive income as part of 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 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.

Deferred tax relating to items recognized directly in equity is recognized in the statement of changes in equity and as other comprehensive income in the statement of comprehensive income.

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 as part of profit or loss, net of any reimbursement.

Segment Reporting

The Company's operating business is organized and managed according to the nature of the service provided, with said segment representing a strategic business unit that the Company serves.

Earnings (Loss) Per Share

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

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

Contingencies

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

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

Revenue Recognition Method and Measure of Progress
The Company concluded that sale of real estate is to be recognized over time because: (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

Incorporation of Forward-looking Information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Company has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Company considers a representative range of possible forecast scenarios. This process involves gathering two or more economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3-5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Definition of Default and Credit-Impaired Financial Assets
The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*
  The customer is more than 90 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the regulatory definition of default.
- *Qualitative criteria*
  The customer meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - The customer is experiencing financial difficulty or is insolvent;
  - The customer is in breach of financial covenant(s);
  - An active market for that financial assets has disappeared because of financial difficulties;
  - Concessions have been granted by the Company, for economic or contractual reasons relating to the customer's financial difficulty;
  - It is becoming probable that the customer will enter bankruptcy or other financial reorganization; and
  - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Company's expected loss calculation.

An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of six months as it has exhibited a satisfactory track record. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Distinction between Joint Operation and Joint Venture
The Company applies judgment when assessing whether a joint arrangement is a joint operation or a joint venture. The Company determines the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement. The Company assesses its rights and obligations by considering the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. The Company's arrangements with SLRDI and SLI are not structured through a separate vehicle. The contractual arrangements establish the parties rights to the assets, obligations for the liabilities,

relating to the arrangements, and the parties rights to the corresponding revenues and obligations for the corresponding expenses. Accordingly, these agreementswere accounted for as joint operations (see Note 17).

Determining Indicators of Impairment of Property and Equipment and Investment Property
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 cash generating unit 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, and investment properties in 2019, 2018 and 2017, as such, there were no impairment provided.

The aggregate carrying amounts of property and equipment, and investment properties amounted to ₱681.27million and ₱1,033.44 million as of December 31, 2019 and 2018, respectively (see Notes 8 and 9).

<u>Estimates</u>
Revenue Recognition on Sale of Real Estate and Collectability of the Sales Price
The Company's revenue recognition require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Company's sale of real estate arises from its joint operation agreement with SLRDI. The Company's revenue from the sale of real estate are disclosed more fully in Note 2 to the financial statements.Management uses 20% of the contract price as the collection threshold before a sale is recognized. Revenue from sale of real estate amounted to ₱32.89 million, ₱62.51 million, and ₱60.97 millionin2019, 2018 and 2017, respectively. The related costs of real estate sold amounted to ₱6.87million,₱10.01 million, and ₱21.42 million in 2019, 2018 and 2017, respectively.

Estimating Impairment of Trade and Other Receivables effective January 1, 2018
The Company uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and gross domestic product growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Company uses vintage analysis approach to calculate ECLs for trade and other receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The Company defines a financial instrument as in default when a customer is more than 90 days past due on its contractual obligations. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

There was no provision for expected credit loss recognized in 2019, while reversal of impairment loss on trade and other receivables recognized in 2018 amounted to ₱55.54 million. The carrying amounts of trade and other receivables amounted to₱351.64 million and ₱343.36 millionas of December 31, 2019 and 2018, respectively (see Note 5).

Estimating Impairment of Trade and Other Receivables prior to January 1 ,2018
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. Provision for impairment losses on trade and other receivables recognized amounted to₱0.24 million in 2017.

Estimating NRV of Real Estate Inventories
The Company estimates adjustments for write-down of real estate inventories to reflect the excess of cost of real estate inventories over their NRV. NRV of real estate inventories are assessed regularly based on selling prices of real estate inventories 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 inventories becomes lower than cost due to changes in price levels or other causes. No adjustments on real estate inventories were recognized in 2019, 2018 and 2017. The aggregate carrying amounts of real estate inventories, at cost, amounted to ₱884.39 million and₱505.06 million as of December 31, 2019 and 2018, respectively (see Note 6).

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 13).

Retirement benefit expense amounted to ₱2.40 million,₱2.22 million and₱2.38 million in 2019, 2018 and 2017, respectively. Actuarial gains (loss) on retirement benefit plan recognized in other comprehensive income, net of tax, amounted to (₱1.08 million),₱1.42 million and ₱2.11 million in 2019, 2018 and 2017, respectively. Retirement benefit obligation amounted to ₱25.69 million and₱21.75 millionas of December 31, 2019 and 2018, respectively (see Note 13).

Estimating Realizability of Deferred Tax Assets
The Company reviews the carrying amounts of its deferred 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 tax assets to be utilized. The amount of deferred 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 tax assets can be utilized as well as the volatility of government issuances on tax interpretations. As of December 31, 2019 and 2018, the Company's deferred tax assets amounted to ₱17.71million and₱19.53 million, respectively (see Note 14).

4. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	**₱4,074,862**	₱7,083,648
Cash equivalents	–	20,276,377
	₱4,074,862	₱27,360,025

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods up to three months depending on the immediate cash requirements of the Company and earn interest at the respective deposit rates.

Interest income earned from cash with banks and cash equivalents amounted to ₱0.18 million, ₱0.21 million and₱0.62 million in 2019, 2018 and 2017, respectively (see Note 20).

5. Trade and Other Receivables

	2019	2018
Trade receivables(Notes 16 and 17)	**₱348,679,841**	₱339,974,722
Advances to officers and employeesand others:	**2,960,681**	3,383,491
	351,640,522	343,358,213
Less noncurrent portion of trade receivables	**170,121,858**	181,392,613
Current portion	**₱181,518,664**	₱161,965,600

Trade receivables mainly represent the Company's outstanding balance in the sale of real estate. These receivables pertain to amounts due from SLRDI and customers.

Receivables from SLRDI pertain to collections by SLRDI from customers for remittance to the Company. These are noninterest-bearing and are due on demand.

Receivables from customers consist of interest-bearing and noninterest-bearing receivables which are collectible in monthly installments over a period of one to five years.Income from interests and penalties arising from late payment of these receivables amounting to ₱18.09 million,₱25.99 million and ₱19.55 million in 2019, 2018 and 2017, respectively, are recognized as “Interests, penalties and other income” in the “Other Income (Expense)” section in the statement of comprehensive income (see Note 20).

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

The movements in the allowance for impairment losses on receivables from customers determined through collective impairment assessment follow:

	2019	2018
Balance at beginning of year	**₱–**	₱55,542,580
Provision (write off)	**–**	(55,542,580)
Balance at end of year	**₱–**	₱–

In 2018, the Company sold non-operating properties to Fongfu Mining and Trading Co. (FMTC) located at Poblacion, Manticao, Misamis Oriental for ₱33.00 million which was fully collected in 2018 resulting to a gain of ₱29.91 million, net of applicable taxes(see Note 20). The Company has also written offits impaired receivables from PGMC.

6. Real Estate Inventories

This account pertains to land developed for residential subdivisions under the project agreement with SLRDI. As discussed in Note 17 to the financial statements, the Company, together with SLRDI, began their regular activities in 2005 based on their project agreement. As of December 31, 2019 and 2018, the residential area of Phase 1, Phase 2, and Phase 3 are 100% completed, based on the physical completion report provided by the project’s supervising engineer.

The roll-forward of this account follows:

	2019	2018
Balance at beginning of year	**₱505,060,705**	₱859,601,308
Recognized as cost of real estate sold	**(6,868,274)**	(13,040,595)
Transfer from (to) investment properties (Note 9)	**384,352,025**	(346,337,462)
Others	**1,841,429**	4,837,454
Balance at end of year	**₱884,385,885**	₱505,060,705

Based on management’s evaluation, the NRV of the real estate inventories is substantially higher than its cost, accordingly, no write-down was recognized in 2019, 2018 and 2017.

The amount of real estate inventories recognized under “Cost of real estate sold” in the statements of comprehensive income amounted to ₱6.87 million, ₱13.04 million and₱21.42 millionin 2019, 2018 and 2017, respectively.

7. Land Held for Future Development

This account comprises parcels of land acquired by the Company for future real estate development.

Movements in land held for future development are set-out below:

	2019	2018
Balance at beginning of year	**₱–**	₱654,148,925
Additions	**–**	17,138,600
Reclassification to investment properties (Note 9)	**–**	(671,287,525)
Balance at end of year	**₱–**	₱–

In compliance with PIC Q&A 2018-11, *Classification of Land by Real Estate Developer*, land held for future development were reclassified to investment properties upon adoption of PIC Q&A 2018-11 (see Note 9).

8. Property and Equipment

2019

	Office Condominium Unit	**Building and Improvements**	**Hauling and Transportation Equipment**	**Machinery and Equipment**	**Furniture, Fixtures and Other Equipment**	**Total**
Costs:						
Balance at beginning of year	**₱46,047,004**	**₱15,290,341**	**₱8,578,786**	**₱4,486,929**	**₱9,741,482**	**₱84,144,542**
Additions	**–**	**–**	**–**	**–**	**204,562**	**204,562**
Disposals	**–**	**(3,146,943)**	**(3,733,380)**	**(4,486,929)**	**(3,288,570)**	**(14,655,822)**
Balance at end of year	**46,047,004**	**12,143,398**	**4,845,406**	**–**	**6,657,474**	**69,693,282**
Accumulated depreciation:						
Balance at beginning of year	**38,650,576**	**14,534,285**	**7,114,291**	**4,486,929**	**8,984,462**	**73,770,543**
Depreciation	**1,841,556**	**–**	**455,173**	**–**	**308,342**	**2,605,071**
Disposals	**–**	**(2,390,887)**	**(3,733,051)**	**(4,486,929)**	**(3,288,570)**	**(13,899,437)**
Balance at end of year	**40,492,132**	**12,143,398**	**3,836,413**	**–**	**6,004,234**	**62,476,177**
Net book value	**₱5,554,872**	**₱–**	**₱1,008,993**	**₱–**	**₱653,240**	**₱7,217,105**

2018

	Office Condominium Unit	Building and Improvements	Hauling and Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Total
Costs:						
Balance at beginning of year	₱46,047,004	₱15,290,341	₱7,065,298	₱4,486,929	₱9,529,123	₱82,418,695
Additions	–	–	1,513,488	–	283,268	1,796,756
Disposals	–	–	–	–	(70,909)	(70,909)
Balance at end of year	46,047,004	15,290,341	8,578,786	4,486,929	9,741,482	84,144,542
Accumulated depreciation:						
Balance at beginning of year	36,808,696	14,191,067	6,475,889	4,486,929	8,755,236	70,717,817
Depreciation	1,841,880	343,218	638,402	–	300,135	3,123,635
Disposals	–	–	–	–	(70,909)	(70,909)
Balance at end of year	38,650,576	14,534,285	7,114,291	4,486,929	8,984,462	73,770,543
Net book value	₱7,396,428	₱756,056	₱1,464,495	₱–	₱757,020	₱10,373,999

Depreciation expense is presented as part of "General and administrative expenses" in the statements of comprehensive income.

Fully depreciated property and equipment with cost of ₱20.53 millionand ₱7.49 million are still being used in operations as of December 31, 2019 and 2018, respectively.

No property and equipment were pledged as security to the Company's obligations in 2019 and 2018 .

9. Investment Properties

As of December 31, 2019 and 2018, the carrying value of investment properties amounted to ₱674.06 million and ₱1,023.07 million, respectively. Details of this account follow:

	2019	2018
Balance at beginning of year	**₱1,023,069,063**	₱5,444,076
Additions	**35,339,135**	–
Transfer from (to) real estate inventories (Note 6)	**(384,352,025)**	346,337,462
Transfer from land held for future development (Note 7)	**–**	671,287,525
Balance at end of year	**₱674,056,173**	₱1,023,069,063

Based on the latest appraisal report, the fair value of the investment properties amounted to ₱1.259billion. The valuation performed was made by a qualified independent appraiser. The valuation techniques were in accordance with that recommended by the International Valuation Standards Committee and in accordance with PFRSs.

This is categorized as Level 3 in the fair value hierarchy as of December 31, 2019 and 2018.

Valuation technique used and key inputs to valuation on investment properties are as follows:

	Valuation technique	Significant unobservable inputs	Range
Land			
Residential	Market		₱800 - ₱375
Industrial	Data Approach/	Price per	₱1,750 - ₱600
Foreshore/beaches	Sales Comparison	square meter	₱2,500 - ₱1,800

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the property.

10. Accounts Payable and Accrued Expenses

	2019	2018
Trade payables	**₱23,791,837**	₱30,473,301
Accrued expenses	**2,947,052**	3,963,471
Others	**781,091**	1,212,922
	₱27,519,980	₱35,649,694

Trade payables are unsecured, noninterest-bearing and are generally due and demandable.

Accrued expenses include accruals for professional fees, utilities, salaries and wages and outside services.

Others include withholding taxes payable, SSS, Philhealth and HDMF contributions.

In 2019, long-outstanding trade payables and accrued expenses amounting to ₱9.28 million were reversed as management assessed that no future payables are to be claimed against the Company. Thesereversals were charged and recorded under “Interests, penalties, and other income” account in the 2019 statement of comprehensive income (see Note 20).

11. **Liability for Purchased Land**

This account pertains to the outstanding payable of the Company for the cost of land purchased recognized under “Investment properties”. This consists of the following:

	2019	2018
Current	**₱115,305,608**	₱58,156,238
Noncurrent	**–**	55,481,641
Total	**₱115,305,608**	₱113,637,879

Liability for purchased land - Insular Life Insurance Company (ILIC - 2018)/ (SLI- 2019)
On September 19, 2016, the Company entered into a contract for acquisition of a 580,154 sqm. land from Insular Life Insurance Company (ILIC) for a total gross consideration of ₱430.47 million.

On August 30, 2019, SLI paid the Company’s remaining liabilityto ILIC amountingto ₱115.31 million, hence, extinguishing the Company’s liability with ILIC. TheCompany’s liability to SLI is non-interest bearing and payable upon issuance of license to sell (see Note 17).

Details of the liability for purchased land from SLI as of December 31,2019 and from ILIC as of December 31, 2018 follows:

	2019	2018
Principal	**₱115,305,608**	₱115,305,608
Unamortized discount:		
Balance at beginning of year	**5,866,584**	11,135,181
Amortization (Note 20)	**(2,840,374)**	(5,268,597)
Loss on extinguishment of debt	**(3,026,210)**	–
Balance at end of year	**–**	5,866,584
	115,305,608	109,439,024
Less noncurrent portion	**–**	55,481,641
	₱115,305,608	₱53,957,383

Liability for purchased land - third party
In 2015, the Company entered into a contract for acquisition of a 169,904 sqm. land, for a consideration of ₱61.03 million from a third party. As of December 31, 2018, the Company has already paid ₱56.33 million while the remaining balance of ₱4.70 million was recognized as “Liability for purchased land”. In 2019, the Company derecognized the liability for purchased land from a third party, resulting to a gain on extinguishment of debt amounting to ₱4.20 million.

12. 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.

The Company has Material Related Party Transactions Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirements under the Revised Securities Regulation Code Rule 68and SEC Memorandum Circular 10, series of 2019.

The Company has an approval requirement such that material related party transactions shall be reviewed and endorsed to the BOD for approval. Material related party transactions are those transactions that meet the threshold value amounting to ₱50 million or 10% of the total assets, whichever is lower and other requirements as may be determined.

The Company has transactions with related parties in 2019 and 2018 as follows:

Category/ Related Party	**Year**	**Transactions**	**Outstanding balance**	**Terms**	**Conditions**
Stockholder					
Gregorio Araneta, Inc.					
Due to related parties	2019	**(₱16,940,482)**	**₱30,745,769**	Due and demandable; noninterest-bearing	Unsecured
		(₱16,940,482)	**₱30,745,769**		

Category/ Related Party	Year	Transactions	Outstanding balance	Terms	Conditions
Under common control					
HE Heacock Resources Corporation					
Advances	2018	₱7,932,240	₱–	Due and demandable; noninterest-bearing	Unsecured
Stockholder					
Gregorio Araneta, Inc.					
Due to related parties	2018	(20,922,876)	13,805,287	Due and demandable; noninterest-bearing	Unsecured
		₱12,990,636	₱13,805,287		

Compensation of Key Management Personnel
Short-term compensation of key management personnel of the Company amounted to ₱4.50 million,₱4.50 million and ₱6.61 million in 2019, 2018 and 2017, respectively.

13. Retirement Benefit Obligation

The Company has an unfunded defined benefit retirement 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 benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement in 2019, 2018 and 2017.

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

	2019	2018
Balance at beginning of year	**₱21,752,706**	₱21,555,685
Retirement benefit expense recognized in profit or loss:		
Current service costs	**1,283,319**	1,344,262
Net interest costs	**1,114,983**	877,590
	2,398,302	2,221,852
Remeasurementloss (gain) recognized in other comprehensive income	**1,540,332**	(2,024,831)
Balance at end of year	**₱25,691,340**	₱21,752,706

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

	2019	2018	2017
Current service costs	**₱1,283,319**	₱1,344,262	₱1,507,972
Net interest costs	**1,114,983**	877,590	870,655
	₱2,398,302	₱2,221,852	₱2,378,627

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

	2019	2018	2017
Discount rate	**4.75%**	7.28%	5.75%
Salary increase rate	**5.00%**	5.00%	6.70%

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

	Increase (decrease)	Amounts	
	in basis points	2019	2018
Discount rate	+100	**(₱879,513)**	(₱832,491)
	-100	**997,272**	948,760
Salary increase rate	+100	**1,099,843**	1,064,366
	-100	**(994,478)**	(954,255)

Shown below is the maturity analysis of the undiscounted benefit payments:

Years	2019	2018
Less than 1 year	**₱14,305,914**	₱12,874,007
1 year to less than 5 years	**6,371,710**	4,082,930
5 years to less than 10 years	**9,541,345**	2,248,838
10 years to less than 15 years	**3,598,982**	17,363,377
15 years to less than 20 years	**3,265,633**	2,320,995
20 years and above	**7,498,193**	16,843,956
Total	**₱44,581,777**	₱55,734,103

The Company does not expect to contribute to its retirement plan in 2020.

The average working life of employees as of December 31, 2019 and 2018 is 15.24 years and 14.55 years, respectively.

14. Income Taxes

The provision for current income tax representsminimum corporate income tax (MCIT) in 2019 and 2018 and regular corporate income tax in 2017.

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

	2019	2018
Recognized in profit or loss:		
Deferred tax assets:		
Net operating loss carryover (NOLCO)	**₱7,362,896**	₱10,286,250
Retirement benefit recognized in profit or loss	**5,897,363**	5,177,872
MCIT	**2,642,404**	2,719,292
	15,902,663	18,183,414
Deferred tax liability:		
Effect of difference between revenue recognized for tax and accounting	**(54,729,662)**	(55,790,268)
	(38,826,999)	(37,606,854)
Recognized in other comprehensive income:		
Remeasurement losses on defined benefit obligation	**1,810,040**	1,347,940
Other components of equity	**(435,000)**	–
	1,375,040	1,347,940
Net deferred tax liability	**(₱37,451,959)**	(₱36,258,914)

A reconciliation of the statutory income tax expense at statutory rate of 30% to the provision for income tax expense is as follows:

	2019	2018	2017
At statutory income tax rate	**(₱1,501,882)**	₱14,186,319	(₱3,555,340)
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	**2,700,659**	1,705,603	2,551,672
Expired MCIT	**1,215,512**	–	–
Nontaxable income	**(55,520)**	(64,076)	(187,821)
	₱2,358,769	₱15,827,846	(₱1,191,489)

Details of the tax effects of the Company's NOLCO and MCIT which are available for offset against future taxable income and income tax payable, respectively, follow:

NOLCO

Year Incurred	Amount	Applied	Balance	Expiry Year
2018	10,286,250	(2,923,354)	7,362,896	2021

MCIT

Year Incurred	Amount	Expired	Balance	Expiry Year
2019	₱1,138,624	₱–	₱1,138,624	2022
2018	1,503,780	–	1,503,780	2021
2016	1,215,512	1,215,512	–	2019
	₱3,857,916	₱1,215,512	₱2,642,404	

15. Earnings (Loss) Per Share

	2019	2018	2017
Net income (loss)	**(₱7,365,041)**	₱31,459,882	(₱10,659,645)
Weighted average common shares	**1,951,387,570**	1,951,387,570	1,951,387,570
Basic and diluted earnings (loss) per share	**(₱0.0038)**	**₱0.0161**	(₱0.0055)

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

The weighted average number of shares takes into account the weighted average effect of changesin number of shares outstanding during the year.

16. 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 and trade and other receivables. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as equity instruments at FVOCI and accounts payable and accrued expenses and liability for purchased land 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, 2019 and 2018, the Company has minimal exposure to any significant foreign currency risk because its financial instruments are denominated in Philippine peso, the Company's functional currency. As assessed by the management, the Company has minimal exposure to equity price risk for the equity instruments at FVOCI and as such, has no material impact to the financial statements. 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 based on contractual and undiscounted receivables and financial liabilities based on contractual and undiscounted payables.

2019

	On demand	**Within 1 year**	**More than 1 year**	**Total**
Financial assets:				
Cash and cashequivalents[1]	**₱4,042,581**	**₱–**	**₱–**	**₱4,042,581**
Trade and other receivables	**–**	**181,518,664**	**170,121,858**	**351,640,522**
	4,042,581	**181,518,664**	**170,121,858**	**355,683,103**
Financial liabilities:				
Accounts payable and accrued expenses[2]	**(26,993,941)**	**–**	**–**	**(26,993,941)**
Liability for purchased land	**(115,305,608)**	**–**	**–**	**(115,305,608)**
Due to related parties	**(30,745,769)**	**–**	**–**	**(30,745,769)**
	(173,045,318)	**–**	**–**	**(173,045,318)**
Net financial assets (liabilities)	**(₱169,002,737)**	**₱181,518,664**	**₱170,121,858**	**₱182,637,785**

[1] *Excluding cash on hand.*
[2] *Excluding withholding taxes and other statutory tax liabilities.*

2018

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash and cash equivalents[1]	₱27,306,779	₱–	₱–	₱27,306,779
Trade and other receivables	–	161,965,600	181,392,613	343,358,213
	27,306,779	161,965,600	181,392,613	370,664,992
Financial liabilities:				
Accounts payable and accrued expenses[2]	(35,278,808)	–	–	(35,278,808)
Liability for purchased land	–	(58,156,238)	(55,481,641)	(113,637,879)
Due to related parties	(13,805,287)	–	–	(13,805,287)
	(49,084,095)	(58,156,238)	(55,481,641)	(162,721,974)
Net financial assets (liabilities)	(₱21,777,316)	₱103,809,362	₱125,910,972	₱207,943,018

[1] *Excluding cash on hand.*
[2] *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 (excluding cash on hand) amounting to ₱355.68 million and ₱370.66 million as of December 31, 2019 and 2018, respectively. The Company's financial assets are neither past due nor impaired as of December 31, 2019 and 2018.

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 in banks and short-term investments are deposits and investments, respectively, made with reputable banks duly approved by the BOD. As such, cash and cash equivalents are assessed by Management as high grade.

Capital Management

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

	2019	2018
Capital stock	**₱1,951,387,570**	₱1,951,387,570
Additional paid-in capital	**201,228,674**	201,228,674
Deficit	**(387,121,803)**	(379,756,762)
	₱1,765,494,441	₱1,772,859,482

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 in 2019, 2018 and 2017.

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			

Date of Registration (SEC Approval)	Description	Number of shares (in 000's)	Par value per share	Total amount (in 000's)
	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, 2019, there are 2,146shareholders who hold 1,951,387,570 shares in the Company.

Fair Value and Categories of Financial Instruments

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	2019		2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Trade receivables	**₱170,121,858**	**₱170,121,858**	₱181,392,613	₱181,392,613
Equity instruments	**5,681,898**	**5,681,898**	4,231,898	4,231,898
	₱175,803,756	**₱175,803,756**	₱185,624,511	₱185,624,511
Liability for purchased land	**₱115,305,608**	**₱115,305,608**	₱113,637,879	₱113,637,879

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, Other Receivables,Due to Related Parties, and Accounts Payable and Accrued Expenses

The carrying amounts of these financial instruments approximate fair values due to the short-term nature of these financial instruments.

Noncurrent Trade Receivables

Fair value is based on discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. This is classified under level 3 of the fair value hierarchy.

Equity Instruments
Equity instruments are carried at fair value. The fair values of equity instruments at FVOCI are based on the quoted market prices. This is classified under level 2 of the fair value hierarchy.

Liability for Purchased Land
Fair value of liability for purchased land is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. This is classified under level 3 of the fair value hierarchy.

In 2019, 2018 and 2017, 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.

17. Project Agreements

Agreement with SLRDI
The Company together with SLRDI began their activities based on their 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 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 through a combination of cash override and lot override.

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

On January 29, 2013, SLRDI assigned its rights and interests over the sales proceeds from the sales of saleable area in Phase 3 to Sta. Lucia Land, Inc. The latter assumes the responsibility of collecting payments or amortizations and undertakes to remit the Company’s share from the sales proceeds.

As at December 31, 2019, the project has been substantially completed.

The Company presently derives its revenue and the related costs solely from the sale of real estate under this joint operation. The Management uses 20% of the contract price as the collection threshold before a sale is recognized.

The Company’s unsold real estate inventories amounting to ₱884.39million and ₱505.06 million and trade receivables amounting to ₱348.68 million and ₱339.97 million as of December 31, 2019 and 2018, respectively, pertain to its share in the assets of the joint operation.

Sale of real estate and cost of real estate sold recognized amounted to ₱32.90 million and ₱6.87 million, respectively, in 2019, ₱62.51 million and ₱13.04 million, respectively, in 2018 and ₱60.97 million and ₱21.42 million, respectively, in 2017.

Agreement with SLI
On November 29, 2019, the Company entered into an agreement with SLI to develop a parcel of land owned by the Company. Under the agreement, SLI will develop the parcel of land into a residential subdivision with complete facilities and amenities, upon turnover of the property and upon securing

required clearance and permit to develop, and in which the property shall be free and clean from any lien and encumbrance. The agreement further states that the Company shall compensate SLI, in the form of lots consisting 60% of the net saleable area. The remaining 40% shall be the share of the Company.

On the same day, the Company entered into a memorandum of agreement with SLI, regarding the terms and conditions of the ₱115.31 million payment made on August 30, 2019 by SLI, in behalf of the Company to ILIC. The amount is payable either by way of proceeds from the sale of subdivided lots or by direct payment(see Note 11).

As at December 31, 2019, the project still has no substantial progress.

18. **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. No provision is recognized as the criteria under PAS 37 have not been met based on management's assessment.

19. **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 sells real estate properties. No specific customer pass the concentration threshold.

Operating results of the Company are regularly reviewed by the Company's Chief Operating Decision Maker, who 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.

20. **Other Matters**

<u>Statements of Cash Flows</u>
There are no noncash investing activities in 2019 and 2017.

In 2018, noncash investing activity is:
- Transfer from "Land held for future development" to "Investment properties"amounting to ₱4.48 million.

In 2019, 2018 and 2017, the movements in the financing activity pertain to the advances made by/to the related parties to/by the Company for funding purposes and the payment for the liability of the purchased land. There are no noncash financing activities incurred during the year.

Interest, Penalties and Other Income

	2019	2018	2017
Interest income on receivables from customers (Note 5)	**₱18,087,920**	₱25,989,105	₱19,546,558
Reversal of long-outstanding trade payables and accrued expenses (Note 10)	**9,279,585**	–	–
Interest income on cash with banks and cash equivalents (Note 4)	**184,420**	207,381	616,384
Gain on sale of non-operating properties (Note 5)	**–**	29,912,234	–
	₱27,551,925	₱56,108,720	₱20,162,942

Interest Expense

Interest expense consists of amortization of discount liability for purchased land amounting to ₱2.84 million and ₱5.27 million in 2019 and 2018, respectively (see Note 11).

21. Events After the Reporting Date

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020. For selected areas, including Metro Manila, this was subsequently extended to May 31, 2020. The ECQ was subsequently lifted and replaced by a more lenient general community quarantine starting June 1, 2020. This measure is expected to result to disruptions to businesses and economic activities.

The Company implemented compliance measures to the community quarantine (CQ) protocols in conjunction with the National Government's strategy to flatten the curve and/or to combat the spread of outbreak as follows:

- Full shutdown of Makati Offices started on March 16, 2020. All employees received their salaries for the period March 16 to 31, 2020 in full.
- After March 31, 2020, employees were encouraged to utilize their available leave credits and work on a skeletal basis.
- Other measures are being implemented to ease the impact of the CQ on the employees, e.g. the early release of the prorated 13th month pay, extend cash advances to regular employees in the event that the CQ is extended.
- Business opportunity is paralyzed such as cash inflows. Presently, the Company concentrates on Cash Management to be able to rationalize and ensure availability of funds to sustain payments of employees' payroll.

The Company considers the measure taken by the government as a non-adjusting subsequent event, which does not impact its financial position and performance as of and for the year ended December 31, 2019. However, it could have a material impact or an impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Company cannot determine at this time the impact to its financial position, performance and cash flows.

At present, the CQ may have an effect on new/future land sales and collection of the Company's receivables depending on the capability of buyers to meet future payments. The Company will continue to monitor the situation, and should the CQ be further prolonged, the BOD may at any time form a Crisis Management Team/Committee that will focus on the impact to the Company's revenue and operations, or formulate assessment tools to measure and/or benchmark costs and expenses or anticipate scenario beyond "COVID-19", upon assumption of work and "Normal" operation.

22. Supplementary Tax Information Required under Revenue Regulations (RR) 15-2010

The Company reported and/or paid the following types of taxes in 2019:

VAT

a. The Company is VAT-registered with taxable sale of goods amounting to ₱46,857,602with a corresponding output VAT of 12% amounting to ₱5,622,912.

   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 2019 statement of comprehensive income. The Company's VAT exempt sales arise from the sale of real properties from the Company's project agreement with SLRDI.

   RA No. 8424, Tax Reform Act of 1997, Title IV, Chapter 1, Section 109(p) specified that sale of residential lot amounting to ₱1,500,000 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 RR 13-2018, the threshold in computing VAT amounted to ₱1,500,000 effective January 1, 2018.

b. Input VAT

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

Balance at January 1, 2019	₱75,385,117
Domestic purchases/payments for:	
Goods for resale or manufacture	193,369
Services lodged under other accounts	713,832
Balance at December 31, 2019	₱76,292,318

Other Taxes and Licenses

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

A. Local	
Business taxes	₱3,164,082
Real estate taxes	2,749,036
Transfer tax of real property other than capital asset	2,015,996
Community tax certificate	10,500
Licenses, permits and fees	3,503
Others	254
B. National	
Annual registration	278,147
	₱8,221,518

Withholding Taxes

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

Withholding taxes on compensation and benefits	₱365,201
Expanded withholding taxes	30,593
	₱395,794

Tax Assessment and Cases

As at December 31, 2019, the Company has no pending final assessment notices. The Company is not aware of any tax case under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

ARANETA PROPERTIES, INC.
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FINANCIAL STATEMENTS

Statements of Financial Position as of December 31, 2019 and December 31, 2018.

Statements of Comprehensive Income for the Years Ended December 31, 2019, 2018 and 2017.

Statements of Changes in Equity for the Years Ended December 31, 2019, 2018 and 2017.

Statements of Cash flows for the Years Ended December 31, 2019, 2018 and 2017.

Notes to Financial Statements

SUPPLEMENTARY SCHEDULES

Report of Independent Auditors on Supplementary Schedules

Schedules Required under Revised SRC Rule No. 68

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

<u>Additional Component</u>

I. Reconciliation of Retained Earnings Available for Dividend Declaration
II. Schedule of Financial Soundness Indicators
III. Map Showing the Relationships Between and Among the Companies in the Group, Its Ultimate Parent Company and Co-subsidiaries.

ARANETA PROPERTIES, INC.
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SRC RULE NO. 68
DECEMBER 31, 2019

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule No. 68 (Revised SRC Rule No. 68) which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by Revised SRC Rule No. 68, that are relevant to the Company. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

	Amount shownin thestatement of financial position	Income received or accrued
Trade and other receivables	₱351,640,522	₱18,087,920

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

There are no advances to officers and employees with balances above ₱1,000,000 as at December 31, 2019.

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

The Company is not in the process of consolidation as at December 31, 2019.

Schedule D. Long-term Debt

The Company has no long-term debt as at December 31, 2019.

Schedule E. Indebtedness to Related Parties

The Company hasno long-term loans from its related parties as at December 31, 2019.

Schedule F. Guarantees of Securities of Other Issuers

The Company did not guarantee any securities of other issuing entities as at December 31, 2019.

Schedule G. Capital Stock

Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Capital Stock	5,000,000,000	1,951,387,570	–	1,026,277,497	10	–

SCHEDULE I

ARANETA PROPERTIES, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2019

Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning		**(₱379,756,762)**
Add: Net income actually earned/realized during the period		
Net income (loss) during the period closed to Retained Earnings		(7,365,041)
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	–	
Unrealized actuarial gain		
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total	–	(7,365,041)
Add: Non-actual/Unrealized Losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
	–	
Net Income (Loss) Actual/Realized		(7,365,041)
Add (Less):		
Dividend declarations during the period	–	
Appropriations of Retained Earnings during the period	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
TOTAL RETAINED EARNINGS (DEFICIT), END AVAILABLE FOR DIVIDEND		**(₱387,121,803)**

SCHEDULE II

ARANETA PROPERTIES, INC.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019

Ratios	**Formula**	**2019**	2018
Current ratio	Current assets / Current liabilities	**6.58:1**	7.21:1
Acid test ratio	Current assets less real estate inventories / Current liabilities	**1.51:1**	2.52:1
Solvency ratio	Net income plus depreciation / Total liabilities	**N/A**	0.16:1
Debt - equity ratio	Total liabilities / Total equity	**0.13:1**	0.12:1
Asset-to-equity ratio	Total assets / Total equity	**1.13:1**	1.12:1
Interest rate coverage ratio	EBIT* / Interest expense	**N/A**	9.98:1
Return on assets	Net income / Average total assets	**N/A**	1.58%
Return on equity	Net income / Average total equity	**N/A**	1.79%
Net Income Margin	Net income / Revenue	**N/A**	0.50:1

**Earnings before interest and taxes (EBIT)*

SCHEDULE III

ARANETA PROPERTIES, INC.

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

DECEMBER 31, 2019

N/A