

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

ARANETA PROPERTIES, INC.

Company's Full Name

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

Company's Address

(632) 848-1501 to 04

Telephone Number

December 31

Calendar Year Ending
(month & day)

17-A ANNUAL REPORT

Amended

(Form Type)

(Amendment Designation (if applicable))

December 31, 2014

(Period Ended Date)

Registered and Listed

(Secondary License Type and File Number)

A7RANETA PROPERTIES, INC.
21st Floor Citibank Tower, Paseo de Roxas Makati City
Philippines

SEC FORM 17-A
Amended

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

1. For the calendar year ended: **December 31, 2014**
2. SEC Identification Number: **152249**
3. BIR Tax Identification No. **000-840-355**
4. Exact name of registrant as specified in its charter:
ARANETA PROPERTIES, INC.
5. **Makati City, Philippines**
Province, Country or other jurisdiction of
Incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **21/F Citibank Tower, Paseo de Roxas, Makati City** 1227
(Address of Principal Office) (Postal Code)
8. **(632) 848-1501 to 04**
(Registrant's telephone number, including area code)
9. **Not applicable**
(Former name, former address and former fiscal year, if changed since last report)
10. Securities registered pursuant to Sections 4 and 8 of the RSA

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

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

Yes (**x**) No ()

12. Check whether the registrant:

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

Yes () No ()

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

Yes () No ()

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

a. Total number of shares held by non-affiliates as of December 31, 2014 476,511,159 shares

b. Closing price of the registrant's share on the exchange as of December 27, 2014 Php 1.46 per share

c. Aggregate market price of (a) as of December 31, 2014- 695,706,292.14

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

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

Yes [] No [] Not Applicable

DOCUMENTS INCORPORATED BY REFERENCE

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

None

MANAGEMENT REPORT

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

DESCRIPTION OF BUSINESS

Business Development

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

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

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

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

Business of Issuer

In 2014, the Company sold Sixty Three Thousand Four Hundred Twenty Eight (63,428) square meters of developed lots to Six Hundred Ninety Seven (697) buyers with various payments terms. The total lots sold by the Company as of December 31, 2014 is Eight Hundred Sixty Eight Thousand Four Hundred Twenty Seven (868,427) square meters of developed lots to Three Thousand Eight Hundred Four (4,051) buyers.

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

The project engineer in-charge of the over-all Project development has reported that Phase 1, Phase 2 and Phase 3 are 99.96%, 99.97.00% and 84.70%, respectively complete. While the Country Club is 98% complete as of December 31, 2014

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

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

On May 12, 2014 management decided to exercise the early payment of the installment term to avoid payment of interest. The prepayment of installment terms was funded by liquidation of land banking fund and as well as fund from Company officers.

- 3) In February 21, 2014 the company signed a memorandum of understanding to acquire land located at Barrio Tungkong Mangga, 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 June 5, 2003 ARA signed a Joint Venture Agreement with Sta. Lucia Realty and Development, Inc. (SLRDI) to develop the Company's 2,364,082 square meters property being described in the master plan which consists of Class A Residential and Commercial Subdivision with a Country Club. The developer gave a period of not more than two (2) years for the project implementation of the commercial subdivision. The Company hired Orchard Property Marketing Corp to handle the sales and marketing of said joint venture project.

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

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

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

Pursuant to the Joint Venture Agreement between the Company and the Sta. Lucia Realty and Development, Inc. (SLRDI), the Company being the owner of the land is entitled to forty percent (40%) of the net proceeds; in case of a Cash Override, or forty percent (40%) of the saleable, in case of lot override, while the SLRDI is entitled to sixty percent (60%) on Cash or lot override as it has to carry the masterplan and implement it including all the required development such road preparation, drainage system, pavement of roads, curbs, gutters, 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.

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

Particulars	Year 2014	Year 2013	Year 2012
Sale from Real Estate	204,697,130	114,301,070	143,844,130
Cost of Land	34,352,430	40,541,809	58,361,958
Percentage to revenue	16.78%	35.47%	40.57%

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, 2014 the total number of officers, managers, consultants and regular employees of the Company are as follows:

Legal officers	1
Managers	6
Consultants	2
Supervisors, Rank and File	<u>36</u>
Total number of employees	45

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

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

Financial Instruments and Capital Management

In General Management

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

Financial Risk Management Objectives and Policies

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

Liquidity Risk

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

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

Certain Issues or Issuers

Investment Company Securities.

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

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

contract covers a Ten (10) years installment terms with fixed interest rate of 8% per annum. And, on February 21, 2014 the company signed a memorandum of understanding to acquire land located at Barrio Tungkong Mangga, 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.

ITEM 2 PROPERTIES

DESCRIPTION OF PROPERTIES

San Jose del Monte, Bulacan Property

Size and Location - The property of the Company consists of 248.113 hectares of prime land most of which are located in Barrio Tungkong Mangga, San Jose del Monte, Bulacan, and bounded by Kalookan City on the southwest, Quezon City on the South, Montalban on the East and San Jose del Monte on the northeast. The 248.113 hectares of prime land subject of the above discussion do not include the 133.692 hectares of lang acquired in year 2012

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

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

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

Surrounding the property - and keeping it free from pollution - are the Angat and La Mesa watersheds.

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

Smelting Plant Property - Existing Smelting Plant

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

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

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

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

The investment property subject to an operating lease with a fair value of ₱242.20 million based on the prevailing market price as of December 31, 2014. For the year 2014, 2013 and 2012, the Company did not recognize the rent income from this lease arrangement as management assessed that it is not possible that the benefit associated with the transaction will flow to the Company

Land Banking Activities

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. And, on February 21, 2014 the company signed a memorandum of understanding with Marga Capital Holdings, Inc. to acquire land located at Barrio Tungkong Mangga, 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.

ITEM 3. LEGAL PROCEEDINGS

- a) No legal proceeding was filed or is pending involving claims exceeding 10% of the current assets for or against the Company;
- b) There were No bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- c) There were No conviction by final judgment of competent court, including the nature of the offense, in a criminal proceedings, domestic or foreign or being subject to a pending criminal proceeding domestic foreign excluding traffic violations and other minor offenses;
- d) There have been No order of judgment or decree not subsequently reversed suspended or vacated of any court of competent jurisdiction domestic or foreign permanently or temporarily enjoining barring suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities, and
- e) The company have not been found by a domestic or foreign court of competent Jurisdiction (in a civil action) commission or comparable foreign body, a domestic or foreign exchange, other organized trading market or self regulatory

organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated

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

The stockholder's meeting of the Company was held last November 19, 2014 at the 34th Floor Citibank Tower, Paseo de Roxas, Salcedo Village Makati City. At the said meeting, the Annual Report including the Financial Statement and the minutes of the meeting of the stockholders for the year 2012-2013 and interim financial statements for the year 2014 were presented and approved by the stockholders present representing 70.35% of the outstanding shares entitled to vote. The Company also presented for approval the issuance of ARA Common Shares of up to 25% of the Company's Total Outstanding Capital Stock and the delegation to the Company's Board of Directors the determination of the terms and other details of the issuances. The majority of the minority shareholders present or represented during the meeting also approved to waive the conduct of a rights or public offering relative to the aforesaid issuance of common shares

The following were elected Directors of the Company for the year 2014-15, namely: Gregorio Ma. Araneta III, Carlos R. Araneta, Luis M. Araneta, Crisanto Roy B. Alcid, Perry L. Pe, Alfredo de Borja, Alfredo D. Roa III, Santiago G. Araneta and Alfonso M. Araneta.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

(1) Market Information

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

	2014		2013	
	High	Low	High	Low
First Quarter	1.6034	1.4999	1.5945	1.3263
Second Quarter	1.7403	1.7253	1.9699	1.8557
Third Quarter	1.5446	1.5063	1.5616	1.4877
Fourth Quarter	1.5734	1.5625	1.4180	1.3642

(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)
2015	March 25, 2015	P1.3700
2015	February 27, 2015	P1.3500
2015	January 27, 2015	P1.3800

(2) The approximate number of shareholders as of December 31, 2014 is 2,220 shareholders and the top twenty (20) shareholders as of December 31, 2014 are the following:

1	PCD Nominee Corporation	Filipino	670,878,336	42.97%
2	Carmel Development Inc..	Filipino	499,999,997	32.03%
3	Gamma Properties, Inc	Filipino	136,000,000	8.71%
4	Olongapo Mabuhay Express Corp.	Filipino	124,855,422	8.00%
5	PCD Nominee Corporation	Other alien	94,871,166	6.08%
6	Brand Realty Corporation	Filipino	13,725,404	0.88%
7	Seafront Resources Corporation	Filipino	3,756,788	0.24%
8	MJ Soriano Trading, Inc.	Filipino	1,621,000	0.10%
9	Pedro O. Tan	Filipino	870,000	0.06%
10	Ruby D. Roa	Filipino	588,599	0.04%
11	Teresita Dela Cruz	Filipino	528,458	0.03%
12	Maria Cristina Dela Paz	Filipino	525,000	0.03%
13	Flora Pascual	Filipino	493,720	0.03%
14	Leonides Francisco Balmeo	Filipino	425,000	0.03%
	Lovell Redondo Bautista	Filipino	425,000	0.03%
15	Luis V. Ongpin, JR ITF Victor Luis M. Ongpin	Filipino	411,000	0.03%
16	Pan Malayan Management & Investment Corp	Filipino	392,727	0.03%
17	Paolo Tuason	Filipino	376,500	0.02%
18	EBC Securities Corporation	Filipino	300,000	0.02%
19	Rosanna Isabel Flores	Filipino	255,000	0.02%
20	Florentino M. Hererera III	Filipino	241,102	0.02%
	Total		1,551,299,117	99.37%
	Add: Other Stockholders		9,810,953	0.63%
	Total Shares		1,561,110,070	100.00%

(3) Dividends

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

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

(4) Recent Sales of unregistered securities

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

**ITEM 6 MANAGEMENT’S DISCUSSION and ANALYSIS
OR PLAN OF OPERATION**

(1) Management’s Discussion and Status of Operation

2014

The performance of the Company in terms of sales performs well with revenue of 179% higher as compared with that of the year 2013. This performance is a result of marketing strategies being implemented specifically the market price indicators showing significant jumped into a higher price per square meter, the said trend is brought about by the new real estate company introduced within the locality. The strategy includes deferment of full opening to market the land inventory resulted to much better price.

As of December 31, 2014, the residential area of Phase 1, Phase 2 and Phase 3 are 99.96%, 99.97% and 84.70% completed, respectively, based on the physical completion report provided by the joint venture’s supervising engineer.

As of December 31, 2014 the Land Banking expansion program of the company acquired the following parcels of land:

Name of Seller	Lot area	Location
Don Manuel Corporation	410,377 square meters	Sn Jose Del Monte, Bulacan
BDO Strategic Holdings	926,550 square meters	Sn Jose Del Monte, Bulacan
Marga Capital Holdings, Inc.	360,000 square meters	Sn Jose Del Monte, Bulacan

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, 2014	As of Dec 31, 2013
Current Ration (1)	1.2336 : 1	2.2811 : 1
Debt to Equity Ratio (2)	1: 0.2305	1: 0.2422
Earnings per Share (3)	1: 0.0384	1: 0.0082
Earnings before interest and Income Taxes (4)	P117.897million	P33.837 million
Return on Equity	0.0755	0.0077

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

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

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

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

2013

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

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

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

Key Performance Indicators

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

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

- 6) Current Assets / Current Liabilities
- 7) Total Liabilities / Stockholders' Equity
- 8) Net Income / Outstanding Shares
- 9) Net Income plus Interest Expenses and Provision for Income Tax
- 10) Net Income / Average Stockholder's Equity

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

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

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

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

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

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

2012

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

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

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

Key Performance Indicators

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

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

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

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

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

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

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

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

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

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

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

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

Receivables. The total gross amount of individually impaired receivables amounted to ₱55.3014 million and ₱55.252 million as of December 31, 2014 and 2013, respectively. Some of the receivables were fully provided with allowance for impairment losses both in 2014 and 2014.

Trade receivables mainly represent the Company's outstanding balance in its share in the sale of real estate by SLRDI. Collections of interests and penalties arising from late payment of these receivables amounting to P=26.54 million, P=21.65 million and P=15.71 million in 2014, 2013 and 2012, respectively, are recognized as "Others" in the "Revenue and Other Income" section in the statements of comprehensive income.

Installment receivables consist of amounts arising from sale of non-operating properties in 2005 and repayable in fixed monthly payment of P2.0 million beginning

January 24, 2006. Installment receivables were discounted using the credit-adjusted risk-free rates prevailing at the time of the sale which resulted to an effective interest rate of 9.45%.

Advances to officers and employees, suppliers and others are non-interest bearing and are due within 10 months from balance sheet date.

As of December 31, 2014 and 2013, allowance for impairment losses on individually impaired receivables amounting to P55.301 million and P55.252 million respectively

Real Estate for Sale and Development. Increase in the Real Estate for sale and development represents costs of parcel of land acquired from Marga Capital Holdings Inc., net of lot sold during the year 2014,

Property and Equipment. The net movement in property and equipment account pertains to the recognition of provision for depreciation by the Company amounting to ₱2.957 million, and the retired/Sold none performing equipment, partially offset by acquisition of additional property and equipment in the amount of ₱2.673 million.

In 2012 the Company entered into a Contract to Sell agreement with Don Manuel Corporation, owner of parcels of land located at San Jose Del Monte, Bulacan with a total lot area of Four Hundred Ten Thousand Three Hundred Seventy Seven (410,377) square meters, another Contract to Sell agreement signed by the Company with the BDO Strategic Holdings, Inc, owner of parcels of land located also at San Jose Del Monte, Bulacan with a total lot area of Nine Hundred Twenty Six Thousand Five Hundred Fifty (926,550) square meters the details of which is already described above as part of land banking activity. And, on February 21, 2014 the company signed a memorandum of understanding with Marga Capital Holdings, Inc. to acquire land located at Barrio Tungkong Mangga, 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

Other Assets (net). Movement in other assets account represents the conclusion of land acquisition from Marga Capital Holdings, Inc. and as well as movement of Input Vat from purchased of local goods and services net of output VAT of Vatable lot sold during the year .

Accounts payable and accrued expenses. The movement in accounts payable and accrued expenses account is pertains to pre-termination of loan bearing an interest of 8% p.a. **paid by Araza on behalf of the Company. This payable is unsecured, noninterest-bearing and due and demandable.**

Trade payables are unsecured, noninterest-bearing and are generally due and demandable. These include unsecured noninterest-bearing payable to a third party arising from purchase of land in August 2012 and is payable up to 2015.

Amortization of discount, included as part of interest expense, amounted to P=0.69 million, P=1.12 million and P=0.68 million for the years ended December 31, 2014, 2013 and 2012, respectively

Loans Payable. The loans represents the non-current payable from the acquisition of land on installment On May 12, 2014 management decided to exercise the early payment of the installment term to avoid payment of interest. The prepayment of installment terms was funded by liquidation of land banking fund and as well as fund from Araza

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

Income. The Company recorded a Net Income (loss) before income tax of ₱ 117.897million, ₱33.837 million , ₱41.418 million, in 2014, 2013, and 2012, respectively.

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

ITEM 7 FINANCIAL STATEMENTS

The Audited Financial Report, Financial Supplementary and as well as Statement of Management's Responsibility for Financial Statement for the year ended December 31, 2014 has been incorporated hereto under caption "Annex A"

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

The Company has no disagreement with the SGV & CO. regarding matters of accounting principle, practice, auditing scope and procedure.

Aggregate fees for the audit services for those fiscal years

Period covered	Amount of fees
For the year 2014	P568,445.32
For the year 2013	P548,568.25
For the year 2012	P548,568.25

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS and EXECUTIVE OFFICERS

(1) Directors and Executive Officers

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

Name	Age	Position Held	Citizenship
Gregorio Ma. Araneta III	65	Director - Chief Executive Officer / Chairman	Filipino
Crisanto Roy B. Alcid	44	Director – President	Filipino
Carlos R. Araneta	68	Director-Treasurer	Filipino
Luis M. Araneta	29	Director	Filipino
Santiago Araneta	41	Director	Filipino
Perry Pe	52	Independent Director	Filipino
Alfredo de Borja	69	Independent Director	Filipino
Alfredo D. Roa III	66	Independent Director	Filipino
Alfonso M. Araneta	30	Director	Filipino
Jose O. Eustaquio III	66	Chief Financial Officer	Filipino
Christine P. Base	42	Corporate Secretary	Filipino

Directors

GREGORIO MA. ARANETA III, 66 years old, Filipino, is the Chairman of the Board, CEO and Director of the Company. He is also the Chairman of the Board of Autobus Transport Systems, Inc., Gregorio Araneta Management Corp., Gamma Holdings Corp. and Gamma Properties, Inc. Mr. Araneta is the President of Araza Resources Corporation, Envirotest Corporation, Enviroclean Corporation and Carmel Farms, Inc. He is also a Director of LBC Development Bank and Asia International Travel Corporation.

CRISANTO ROY B. ALCID, 45 years old, Filipino, is the President and one of the Directors of the Company. He is concurrently the President of Envirotest, Inc, and Carmel Development Corp., and Roycomm Holdings, Inc. He is also Executive Vice President of Gregorio Araneta Management Corporation, Gregorio Araneta, Inc., and Araza Resources Corporation. Before joining the Araneta Group, he was formerly connected with Ayala Land, Asiatruster Development Bank and Citibank N.A. Mr. Alcid, holds a Bachelor of Science Degree in Management Engineering from Ateneo de Manila University and has completed the General Management Program of the Harvard Business School.

CARLOS R. ARANETA, 69 years old, Filipino, is one of the Directors and the Treasurer of the Company. He was the Chairman of the Board of the following local companies: LBC Properties, Inc., LBC Development Corporation, LBC Development Bank, Inc., LBC Express, Inc., LBC Mabuhay Development Philippine Corporation, LBC Domestic Franchise Co., Inc., and LBC Airways, Inc. He was the Chairman of the Board of LBC Holdings USA Corp., LBC Mabuhay USA Corp., LBC Mabuhay North America Corp., LBC Mabuhay Hawaii Corp., LBC Mabuhay Saipan Corp., LBC Mabuhay Italy Corp., and LBC Travel USA Corp. Mr. Araneta holds a Bachelor of Science Degree in Business Administration from Boston University University. He earned his Bachelor of Laws Degree at the Ateneo de Manila University Law School.

ALFREDO DE BORJA, 69 years old, Filipino, is one of the Directors of the Company. He is also the President and Director of Makiling Ventures, Inc. (real estate development) and E. Murio, Inc. (furniture manufacturing & exporter), Director ICCP Ventures, Inc., ICCP Management Corp., Rustans Supercenters, Inc., RFM-Science Park of the Phils., Regatta-Beacon Land Corp., Regatta Properties, Inc., Pueblo de Oro Development Corp., Cebu Light Industrial Park, Inc. and Araneta Properties, Inc.. *Past Positions:* President – Gervel, Inc. (1973-1986), Director and Chairman – Executive Committee of First Metro Investment Co. (1978-1983), Director & Vice President of Iligan Cement Corp., (1973-1977), Professorial Lecturer – University of the Philippines “Graduate School of Business Administration” (1971-1977), Executive Asst to the Vice President – Philippine Long Distance

Telephone Co. (1970-1973) and Executive Asst. to the Vice President – Investment Managers, Inc. (1966-1968).

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

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

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

LUIS M. ARANETA, Filipino, 29 years old, is currently the Business Development Manager of Araneta Properties, Inc. He was elected Director of the Company in 2012. He is the President of Estancias Holdings, Inc. and Cerros Corp, Vice-President and Treasurer of ARAZA Resources Corporation, Director and Corporate Secretary of Carmel Development, Inc, Director of PAGREL, Inc., and Corporate Secretary of Gamma Properties, Inc. Mr. Araneta studied at the Pace University in New York City where he earned his degree in Business Administration in Management.

ALFREDO D. ROA III, 67 years old, Filipino, is one of the Directors of the Company. He is presently the President of Inland Corporation and Rural Bank of Alfonso.

ALFONSO ARANETA, , Filipino, 30, is currently the Executive Vice-President and Director of Envirotest, Inc., Vice President and Director of Carmel Development, Inc., Vice-President and Director of Gregorio Araneta, Inc. Concurrently, he is Director of ARAZA Resources Corp., ATSI PETC, Inc. Pagrel, Inc., Gamma Properties, Inc., Securicor Security Investigation Services, Inc., and Alumma Foods, Inc. Mr. Araneta studied at the De La Salle-College of St. Benilde, Manila with a BS Business Administration degree, majoring in Business Management.

Key Officers

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

CHRISTINE P. BASE, Filipino, 44 years old, is the Corporate Secretary of Araneta Properties, Inc. and is currently a Corporate and Tax Lawyer at Pacis and Reyes, Attorneys and the Managing Director of Legisforum, Inc. She is a Director and Corporate Secretary of Anchor Land Holdings, Inc. and the Corporate Secretary of Asiasec Equities, Inc. She is also director and corporate secretary of several private corporations. She was an Auditor and then Tax Lawyer of Sycip, Gorres, Velayo & Co. She is a graduate of Ateneo De Manila University School of Law with a degree of Juris Doctor. She passed the Bar Examination in 1997. Ms. Base is also a Certified Public Accountant. She graduated from De La Salle University with a Bachelor of Science Degree in Commerce Major in Accounting.

JOSE O. EUSTAQUIO, III, Filipino, 67 years old, is presently the Chief Financial Officer of Araneta Properties, Inc. He was a consultant of Honda Cars Makati and Honda Cars Cebu from 2007 to 2008. In 1987, he was the Financial Control Officer of Ayala Corporation (Control and Analysis Division). He was the Chief Finance Officer of Ayala Corporation for Ayala Theaters Management, Inc., Ayala Property Management Corporation, and Ayala Alabang Commercial Corporation from 1982 to 1987. He was a staff Auditor of Sycip, Gorres, Velayo & Co. Mr. Eustaquio 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.

(2) Significant Employees

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

(3) Family relationship.

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

(4) Involvement in Certain Legal Proceedings

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

ITEM 10. MONTHLY EXECUTIVE COMPENSATION

(1) Compensation Table

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

Name and Principal Function	Fiscal Year	Salary	Bonus	Other Compensation
Gregorio Ma. Araneta III * Director and CEO	2012			
	2013			
	2014			
Crisanto Roy Alcid* President	2012			
	2013			

	2014			
Luis M. Araneta Project Development Officer	2012 2013 2014			
Rhoan Purugganan* Legal Head	2012 2013 2014			
Jose O. Eustaquio III Chief Finance Officer	2012 2013 2014			
TOTAL FOR THE GROUP	2012 2013 2014	7,420,000.00 10,126,800.00 10,126,800.00		
Other Officers as a group unnamed	2012 2013 2014	3,835,200.00 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 years 2014, 2013 and 2012. 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, 2014. The direct and indirect record and beneficial owners of more than five percent (5%) of the Company's voting securities as of December 31, 2014 are as follows:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Nature of ownership	Percent Held
Common	Carmel Development, Inc. 21/F Citibank Tower Paseo de Roxas, Makati City	Nominee: Gregorio Ma. Araneta III	Filipino	499,999,997	Direct	32.03%
Common	Gamma Properties, Inc., 21/F Citibank Tower Paseo de Roxas, Makati City	Nominee: Gregorio Ma. Araneta III	Filipino	264,472,892	Direct	15.78%
Common	PCD Nominee	Various clients & Philippine Depository & Trust Corp. (PDTC)	Filipino	670,878,336		42.97%
Common	LBC Express, Inc. LBC Express, Inc. General Aviation Center, Domestic Airport Compound, Pasay City, Metro Manila		Filipino	195,043,074	Director	12.49%
Common	Olongapo Mabuhay Express Corp. LBC Compound Aviation Airport Road, Pasay City	Nominee:	Filipino	124,855,422	Direct	8.00%

(2) Security Ownership of Management

The following is a summary of the aggregate shareholdings of the Company's directors and executive officers in the Company and the percentage of their shareholdings as of December 31, 2014:

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

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

r – record ownership

b – beneficial ownership

ITEM 12. CERTAIN RELATIONSHIPS and RELATED PARTY TRANSACTIONS

As of 31st December 2014, stockholders Carmel Development Inc., Gamma Properties, Inc., and LBC Express, Inc. held more than (10%) each of the securities of the Company broken down as follows:

SECURITY	CLASS	AMOUNT	NATURE	PERCENTAGE
Carmel Development, Inc.	Common	499,999,997	Direct	32.03%
Gamma Properties, Inc.	Common	264,472,892	Direct	15.78%
LBC Express, Inc.	Common	195,043,074	Direct	12.49%
Olongapo Mabuhay Express Corp.	Common	124,855,422	Direct	8.00%

Messrs. Gregorio Ma. Araneta III and Carlos R. Araneta are related to the fourth civil degree of consanguinity. Moreover, Mr. Alfonso Araneta as well as Mr. Luis Araneta are children of Mr. Gregorio Ma. Araneta III. Lastly, Mr. Santiago Araneta is the son of Carlos R. Araneta. There are no 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 2014. 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.

Please see attached herein the Annual Corporate Governance Report.

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.

PART IV – EXHIBITS and SCHEDULES

ITEM 14. EXHIBITS AND SCHEDULES

(a) Reports on SEC Form 17-C

Date of Report	Nature of Item Reported
November 19, 2014	Annual Stockholders meeting
November 19, 2014	Other matters
November 19, 2014	Election of officer/directors
December 11, 2014	Other Matters

(b) Exhibits

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

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

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

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

Schedule D. - Intangible Assets – Other Assets.

Schedule E. - Long Term Debt

Schedule F. - Indebtedness to Related Parties.

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

Schedule H. - Capital Stock.

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

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

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

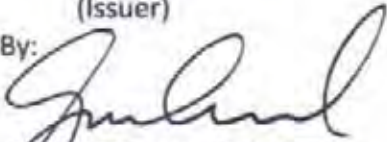
SIGNATURES

Pursuant to the requirements of Securities Regulation of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, the City of Makati on April 10, 2015.

ARANETA PROPERTIES, INC.

(Issuer)

By:



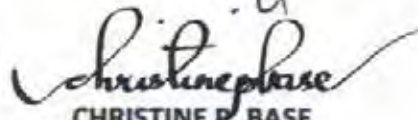
GREGORIO MA. ARANETA
Chairman of the Board and CEO



CRISANTO ROY B. ALCID
President



JOSE O. EUSTAQUIO III
Chief Finance Officer



CHRISTINE P. BASE
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of ____, 2015 affiant(s) exhibiting to me their valid identification card;

NAME	ID	DATE ISSUED	PLACE ISSUED
Gregorio Ma. Araneta III	Passport No. XX1328189	June 04, 2008	Manila, Philippines
Crisanto Roy B. Alcid	Drivers License N01-88-077406	Expiry Oct. 25, 2017	Quezon City, Philippines
Jose O. Eustaquio III	Senior Citizen ID No. 13828	August 22, 2007	
Christine P. Base	Passport No. XX4766696	October 15, 2009	Manila, Philippines

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

Doc. No. _____

Page No. _____

Book No. _____

Series of 201_____

SCHEDULE A

ARANETA PROPERTIES, INC.

As of December 31, 2014

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

ARANETA PROPERTIES, INC.

As of December 31, 2014

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

Name and Designation of debtor (1)	Balance at Beginning Of period	Additions	Amount Collected/ Liquidated & reclass (2)	Amounts written off & allow for D/A (3)	Balance at end of period
Impaired Installment Receivable	55,025,886	48,946	-	-	55,074,832
Receivable from Trade	178,877,533	257,690,216	(168,587,235)	-	268,068,728
<i>Sub-total</i>	233,903,418	257,739,162	(168,587,235)	-	323,113,560
Advances to Supplies, Officers and Others					
Unimpaired	2,015,044	1,624,287	(2,378,254)	-	1,261,077
Impaired	226,458	-	-	-	226,458
Sub-total	2,241,502	1,624,287	(2,378,254)	-	1,487,535
Total	236,203,135	259,363,449	(170,965,489)	-	324,601,095
Provision for D/A	55,252,344	48,946	-	-	55,301,290
Net	180,950,791	259,314,503	(170,965,489)	-	269,299,805

SCHEDULE C

ARANETA PROPERTIES, INC.

As of December 31, 2014

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

In Stock, and Other Investments

Name of Issuing entity and description of investments	Number of shares of Principal amount of bonds And Notes	Amounts in Pesos	Equity in earnings (losses) of Investees for the period	Distribution of earnings by Investees	Number of shares of principal amount of bonds and notes	Amount in Pesos	Dividends received from Investments not accounted for by the equity method
(1)	(2)	(3)	(3)	(5)	(2)	(7)	
Tagaytay Midland Subic Yacht Club, Inc.	1	1,000,000	n/a	n/a	n/a	n/a	n/a
Alphaland Balesin Island Resorts Corp	1	1,500,000	n/a	n/a	n/a	n/a	n/a
Colinas Verdes Country Club, Inc	1	1,000,000	n/a	n/a	n/a	n/a	n/a
	1	700,000	n/a	n/a	n/a	n/a	n/a
Allow for AFS		(1,830,000)					
Net		2,370,000					

SCHEDULE D**ARANETA PROPERTIES, INC.**

As of December 31, 2014

Intangible Assets - Other Assets

Description (1)	Beginning Balance	Additions At costs Reclassify- cation (2)	Charged to Cost and Expenses (provision for D/A) or Writ off	Others Additions (Deduction/Sold) Input tax applies to Recoverable Tax (VAT) and statutory Income tax	Balance at End of Period
Deferred Income Tax Assets	13,415,377	-	-	(13,415,377)	-
Investment property	5,444,076	-	-	-	5,444,076
Others	5,000	-	-	(5,000)	-
Input Vat	37,756,882	15,010,558	-	(24,364,004)	28,403,436
Deposits	87,003,759	-	-	(87,003,759)	-
Total	143,625,094	15,010,558	-	(124,788,140)	33,847,512

SCHEDULE E**ARANETA PROPERTIES, INC.**

As of December 31, 2014

Long Term & Short-term Debt

Title of Issue and Type of Obligation (1)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (2)	Amount shown under caption "Long-term debt" in related balance sheet (3)
Acquisition of land on installment	-0-	-0-	-0-

SCHEDULE F

ARANETA PROPERTIES, INC.

As of December 31, 2014

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

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

SCHEDULE G

ARANETA PROPERTIES, INC.

As of December 31, 2014

Guarantees of Securities of Other Issuer (1)

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

SCHEDULE H (1)

Capital Stock (1)

Title of Issue (2)	Common
Number of Shares Authorized	5,000,000,000
Number of share issued and outstanding as shown under related balance sheet caption	1,561,110,070
Number of shares reserved for options, warrants, conversion and other rights	None
Number of shares held by related parties (3)	1,062,784,987
Shares held by Directors, officers & employees	141,726
Others	498,183,357

SCHEDULE H (2)

Company's track Record

Date of registration (SEC approval)	Description	Number of shares (in 000's)	Par value Per share	Amount of share (in 000's)
1988	Capital upon registration Class A 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, 2014 and 2013, there were no movements in the Company's registered securities. There are 2,220 shareholders who hold 1,561,110,070 shares as of December 31, 2014.

SCHEDULE J (1)

ARANETA PROPERTIES, INC.

Security ownership of certain beneficial owners and management

As of December 31, 2014

SECURITY OWNERSHIP

Name of Company	Class	Number of shares	Nature	Percentage
Carmel Development, Inc. (of which 99% held by Gregorio Ma. Araneta III)	Common	499,999,997	Direct	32.03%
Gamma Properties, Inc. (of which 50% held by Gregorio Ma. Araneta III)	Common	264,472,892	Direct	15.78%
Olongapo Mabuhay Express Corp. (of which 80% held by Ma. Joy A. Cruz)	Common	124,855,422	Direct	8.00%

SCHEDULE J (2)

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

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

SCHEDULE K(1)

Supplemental Statement of Financial Report
As of December 31, 2014

PROPERTY, PLANT and EQUIPMENT

Classifications	Beginning Balance	Additions	Retired or Reclass	Balance
Office condominium unit	46,047,004			46,047,004
Building and Improvements	13,693,322	1,034,686		14,728,007
Machinery and Equipment	4,486,929			4,486,929
Transportation & Hauling Equipt	7,139,540	452,000	(664,636)	6,926,904
Furniture, Fixtures & Other Equipt	8,228,084	236,644		5,376,883
Total (at cost)	79,594,879	1,723,330	(664,636)	80,653,572

SCHEDULE K (2)

ARANETA PROPERTIES, INC.

Supplemental Statement of Financial Report
As of December 31, 2014

ACCUMULATED DEPRECIATION – PROPERTY and EQUIPMENT

Classifications	Beginning Balance	Additions	Retired or Reclass	Balance
Office Condominium unit	29,440,850	1,841,880	-	31,282,730
Building and Improvements	12,107,527	329,120	-	12,436,647
Machinery and Equipment	4,486,929	-	-	4,486,929
Transportation and Hauling Equipt	5,666,878	596,017	(1,614,421)	4,648,474
Furniture, Fixtures and Other Equipt	7,731,134	190,132	-	7,921,266
Total (at cost)	59,433,318	2,957,149	(1,614,421)	60,776,046

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



ARANETA PROPERTIES, INC.

22ND FLOOR CITIBANK TOWER PASEO DE ROXA 5, SALCEDO VILLAGE, MAKATI CITY PHILIPPINES 1229
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 for the years ended December 31, 2014 and 2013, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances, including the additional components attached therein:


- a. Schedule of receipts and disbursements (not applicable);
- b. Reconciliation of Retained Earnings Available for Dividend Declaration (not applicable);
- c. Schedule of all the effective standards and interpretations as of reporting date;
- d. Supplementary schedules required by Annex 68-E;
- e. Map of the relationships of the companies within the group

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

Sycip, Gorres, Velayo and Co., the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance 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 examination.


GREGORIO MA. ARANETA III
Chairman of the Board and CEO


CRISANTO ROY B. ALCID
President


JOSE O. EUSTAQUIO III
Chief Finance Officer

Date Approved
April 10, 2015

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

APR 15 2015

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

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

Doc. No. 375;
Page No. 63;
Book No. 571;
Series of 2015.

(Signature)
NOTARY PUBLIC
UNTIL December 31, 2016
PTR NO. 0682987-C-1-20-15 - QUEZON CITY
IBP NO. 975600 12-11-2014 - QUEZON CITY
ROLL NO 13285
ADM. MATTER NO. NP-141 (2015-2016)
TIN NO. 177967619
MCLE EXEMPTED

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Araneta Properties, Inc., which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Araneta Properties, Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

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

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

SYCIP GORRES VELAYO & CO.

John A. Villa

John T. Villa
Partner
CPA Certificate No. 94065
SEC Accreditation No. 0783-AR-1 (Group A),
February 9, 2012, valid until April 30, 2015
Tax Identification No. 901-617-005
BIR Accreditation No. 08-001998-76-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751340, January 5, 2015, Makati City

April 10, 2015



Araneta Properties, Inc.

Financial Statements
December 31, 2014 and 2013 and
For Each of the Three Years in the Period Ended
December 31, 2014

and

Independent Auditors' Report

ARANETA PROPERTIES, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Cash and Cash Equivalents (Note 4)	₱51,618,128	₱17,729,917
Receivables - net (Note 5)	269,299,805	180,950,791
Real Estate for Sale and Development (Note 6)	1,170,454,786	1,117,236,418
Property and Equipment - net (Note 7)	19,877,526	20,161,560
Deferred Income Tax Assets - net (Note 13)	–	13,415,377
Investment Property (Note 8)	5,444,076	5,444,076
Input Value-added Tax (VAT) - net	28,403,436	37,756,882
Available-for-Sale (AFS) investments	2,370,000	2,370,000
Other Assets (Note 11)	–	87,003,759
TOTAL ASSETS	₱1,547,467,757	₱1,482,068,780
LIABILITIES AND EQUITY		
Liabilities		
Accounts payable and accrued expenses (Note 9)	₱236,494,827	₱56,702,536
Loans payable (Note 10)	–	204,167,102
Income tax payable	23,651,710	9,312,295
Deferred income tax liabilities - net (Note 13)	12,471,915	–
Retirement benefit obligation (Note 12)	17,245,413	11,121,460
Total Liabilities	289,863,865	281,303,393
Equity		
Capital stock - ₱1 par value		
Authorized - 5,000,000,000 shares		
Issued - 1,561,110,070 shares	1,561,110,070	1,561,110,070
Capital surplus	154,395,374	154,395,374
Unrealized valuation losses on AFS investments	(150,000)	(150,000)
Actuarial losses on retirement benefit plan (Note 12)	(3,735,486)	(599,587)
Deficit	(454,016,066)	(513,990,470)
Total Equity	1,257,603,892	1,200,765,387
TOTAL LIABILITIES AND EQUITY	₱1,547,467,757	₱1,482,068,780

See accompanying Notes to Financial Statements.

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ARANETA PROPERTIES, INC.**STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2014	2013	2012
REVENUE AND OTHER INCOME			
Sale of real estate (Notes 5 and 16)	₱204,697,130	₱114,301,070	₱143,844,130
Gain on disposal of property and equipment (Note 7)	400,000	–	–
Interest (Notes 4 and 5)	209,597	170,370	537,916
Others (Note 5)	26,537,796	21,654,679	15,708,236
	231,844,523	136,126,119	160,090,282
COSTS AND EXPENSES			
Costs of real estate sold (Note 6)	34,352,430	40,541,809	58,361,958
Entertainment, amusement and recreation	17,966,458	17,673,571	9,363,740
Salaries and wages	13,098,280	12,569,056	8,985,333
Taxes and licenses	13,009,736	2,638,155	1,180,703
Security services	8,901,900	6,770,217	4,522,787
Interest (Note 19)	6,503,272	8,699,028	879,506
Depreciation and amortization (Note 7)	2,957,149	2,949,702	2,872,297
Building dues and related charges	2,708,678	1,684,778	1,550,406
Professional fees	1,884,464	919,609	1,784,804
Retirement benefit expense (Note 12)	1,644,097	865,198	1,473,808
Telecommunications	1,097,517	717,189	709,601
Repairs and maintenance	1,006,066	459,282	585,286
Utilities	1,078,358	738,206	716,917
Office supplies	842,538	699,150	429,059
Transportation	588,540	307,259	317,701
Contractual costs	467,928	359,537	513,110
13th month pay	117,201	81,475	1,151,442
Provision for impairment losses (Note 5)	48,946	78,313	17,541,445
Others	5,674,461	3,537,564	5,727,743
	113,948,019	102,289,098	118,667,646
INCOME BEFORE INCOME TAX	117,896,504	33,837,021	41,422,636
PROVISION FOR INCOME TAX (Note 13)			
Current	30,690,852	17,461,316	12,112,640
Deferred	27,231,248	3,597,235	2,816,686
	57,922,100	21,058,551	14,929,326
NET INCOME	59,974,404	12,778,470	26,493,310
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Item that will not be reclassified to profit or loss</i>			
Actuarial gain (losses) on retirement benefit plan, net of tax of ₱1.34 million in 2014, ₱1.50 million in 2013 and (₱1.38 million) in 2012 (Note 12)	(3,135,899)	(3,497,593)	3,226,166
TOTAL COMPREHENSIVE INCOME	₱56,838,505	₱9,280,877	₱29,719,476
EARNINGS PER SHARE			
Basic and diluted (Note 14)	₱0.0384	₱0.0082	₱0.0170

See accompanying Notes to Financial Statements.

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ARANETA PROPERTIES, INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Capital Stock	Capital Surplus	Unrealized Valuation Losses on AFS Investments	Actuarial Gains (Losses) on Retirement Benefit Plan, net of Deferred Taxes (Note 12)	Deficit	Total
Balances at January 1, 2012	₱1,561,110,070	₱154,395,374	(₱150,000)	(₱328,160)	(₱553,262,250)	₱1,161,765,034
Net income	–	–	–	–	26,493,310	26,493,310
Other comprehensive income	–	–	–	3,226,166	–	3,226,166
Total comprehensive income	–	–	–	3,226,166	26,493,310	29,719,476
Balances at December 31, 2012	1,561,110,070	154,395,374	(150,000)	2,898,006	(526,768,940)	1,191,484,510
Net income	–	–	–	–	12,778,470	12,778,470
Other comprehensive loss	–	–	–	(3,497,593)	–	(3,497,593)
Total comprehensive income (loss)	–	–	–	(3,497,593)	12,778,470	9,280,877
Balances at December 31, 2013	1,561,110,070	154,395,374	(150,000)	(599,587)	(513,990,470)	1,200,765,387
Net income	–	–	–	–	59,974,404	59,974,404
Other comprehensive loss	–	–	–	(3,135,899)	–	(3,135,899)
Total comprehensive income (loss)	–	–	–	(3,135,899)	59,974,404	56,838,505
Balances at December 31, 2014	₱1,561,110,070	₱154,395,374	(₱150,000)	(₱3,735,486)	(₱454,016,066)	₱1,257,603,892

See accompanying Notes to Financial Statements.

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ARANETA PROPERTIES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱117,896,504	₱33,837,021	₱41,422,636
Adjustments for:			
Interest expense (Note 19)	6,503,272	8,699,028	879,506
Depreciation and amortization (Note 7)	2,957,149	2,949,702	2,872,297
Retirement benefit expense (Note 12)	1,644,097	865,198	1,473,808
Provision for impairment losses (Note 5)	48,946	78,313	17,541,445
Gain on disposal of property and equipment (Note 7)	(400,000)	–	–
Interest income (Notes 4 and 5)	(209,597)	(170,370)	(537,916)
Operating income before working capital changes	128,440,371	46,258,892	63,651,776
Decrease (increase) in:			
Receivables	(88,349,014)	(14,797,612)	57,877,545
Input VAT	(1,415,102)	(841,508)	(64,257,146)
Real estate for sale and development	14,352,430	65,835,783	(933,593)
Increase (decrease) in accounts payable and accrued expenses	122,945,833	(41,689,595)	(25,874,612)
Net cash generated from operations	175,974,518	54,765,960	30,463,970
Interest received	160,651	92,057	335,006
Income taxes paid	(16,351,438)	(13,802,857)	(13,818,934)
Interest paid	(6,459,062)	(6,915,748)	–
Net cash flows from operating activities	153,324,669	34,139,412	16,980,042
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other assets	87,003,759	(23,047,083)	49,062,641
Proceeds from disposal of property and equipment (Note 7)	400,000	–	–
Acquisitions of:			
Property and equipment (Note 7)	(2,673,115)	(1,334,168)	(401,161)
AFS investments	–	–	(1,700,000)
Net cash flows from (used in) investing activities	84,730,644	(24,381,251)	46,961,480
CASH FLOW USED IN A FINANCING ACTIVITY			
Payment of loans payable (Note 10)	(204,167,102)	(7,081,115)	(70,930,530)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	33,888,211	2,677,046	(6,989,008)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	17,729,917	15,052,871	22,041,879
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)			
	₱51,618,128	₱17,729,917	₱15,052,871

See accompanying Notes to Financial Statements.

*** SGVFS0009877 ***

ARANETA PROPERTIES, INC.
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

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

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

The financial statements of the Company as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issue by the Board of Directors (BOD) on April 10, 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

The financial statements as of and for the years ended December 31, 2014 and 2013 provide information in respect to the previous period.

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

Amended Standards Adopted in Calendar Year 2014

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended standards. Adoption of the following changes in PFRS did not have any significant effect to the Company:

- Amendment to Philippine Accounting Standard (PAS) 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*

* SGVFS0009877 *

- Amendment to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*

Improvements to PFRS

The *Annual Improvements to PFRSs* contains non-urgent but necessary amendments to PFRSs:

(2010-2012 cycle)

- PFRS 13, *Fair Value Measurement*

(2011-2013 cycle)

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS*

New Accounting Standards and Philippine Interpretations and Amendments to Existing Standards Issued and Effective after December 31, 2014:

The standards and interpretations that are issued, but not yet effective are described below. The Company will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards to have significant impact on its financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

Effective in 2015:

- PFRS 9, *Financial Instruments**
*Part of which is effective January 1, 2015 and parts of which have no mandatory effective date
- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

Improvements to PFRS

The *Annual Improvements to PFRSs* contains non-urgent but necessary amendments to the following standards:

(2010-2012 cycle)

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

(2011-2013 cycle)

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
- PAS 40, *Investment Property*

Effective in 2016:

- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*

Improvements to PFRS

The *Annual Improvements to PFRSs* contains non-urgent but necessary amendments to PFRSs:

(2012-2014 cycle)

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Effective in 2018:

PFRS 9, *Financial Instruments* (2014 or final version)

Deferred:

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

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires the revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on the stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Philippine SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. Once effective, the Company expects to adopt the interpretation.

Cash and Cash Equivalents

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

Financial Instruments

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

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

Financial Assets

The Company's financial assets consist of loans and receivables and AFS investments.

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 investments or designated as financial asset at FVPL. This accounting policy mainly relates to the statement of financial position captions "Cash and cash equivalents" and "Receivables".

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

AFS Investments

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

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

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

Financial Liabilities

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

Issued financial liabilities or their components, which are not designated as 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 effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

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

Determination of Fair Value

Certain assets and liabilities are required to be measured or disclosed at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

- Level 3: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is not observable

The only financial instrument of the Company that is measured at fair value using Level 1 of the fair value hierarchy is its quoted AFS investments. The investments amounted to ₱2.37 million as of December 31, 2014 and 2013. For the years ended December 31, 2014, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

“Day” 1 Difference

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

Impairment of Financial Assets

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

Assets Carried at Amortized Cost

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

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss is charged to the

statement of comprehensive income as part of profit or loss. If, in a subsequent year, the amount of the impairment loss decreases because an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income as part of profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Impaired debts are derecognized when they are assessed as uncollectible.

AFS Investments

The Company assesses at each reporting date whether there is objective evidence that an AFS investment is impaired.

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

Derecognition of Financial Instruments

Financial Asset

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

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

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset not transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. 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 Company could to repay.

Financial Liability

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

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

Real Estate for Sale and Development

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

Cost includes:

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Investment Property

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

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

Input VAT

Input VAT represents VAT imposed on the Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is stated at its estimated NRV.

Other Assets

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

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

Impairment of Property and Equipment, Investment Property, Input VAT and Other Assets

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

The fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized 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 and amortization) had no impairment loss been recognized for that asset in prior years.

Capital Stock and Capital Surplus

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

Deficit

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

Revenue Recognition

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

Sale of Real Estate

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

Interest Income

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

Rent Income

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

Other Income

Other income is recognized when earned.

Costs and Expenses

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

Cost of Real Estate Sold

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which

include estimated costs for future development works, as determined by the company's in-house technical staff.

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

Retirement Benefit Expense

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

Defined benefit costs comprise the following:

- Service cost
- Interest on the 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 multiplying the discount rate based on government bonds times 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 year periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred Income Tax

Deferred income 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income 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 income 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 income tax relating to items recognized directly in equity is recognized in equity as part of other comprehensive income section and not in profit or loss.

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.

Earnings Per Share

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

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

Events After the Reporting Date

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

3. Significant Accounting Judgments and Estimates

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

Judgments

Determining Functional Currency

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

Operating Lease Commitment - as a Lessor

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

Estimates

Estimating Revenue and Cost Recognition

The Company's revenue arising from the sale of real estate and its related costs in accordance with the Company's joint venture agreement with Sta. Lucia Realty and Development, Inc. (SLRDI), are recognized based on the percentage of completion method and are measured principally on the basis of estimated completion of a physical proportion of the contract work and by reference to the actual costs incurred to date over the estimated total costs of the project as reported by the joint venture's supervising engineer (see Notes 6 and 16). Furthermore, management uses 20% of the contract price as the collection threshold before a sale is recognized. Revenue from sale of real estate amounted to ₱204.70 million, ₱114.30 million and ₱143.84 million for the years ended December 31, 2014, 2013 and 2012, respectively. The related costs of real estate sold amounted to ₱34.35 million, ₱40.54 million and ₱58.36 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Estimating for Impairment of Receivables

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

Allowance for impairment losses amounted to ₱55.30 million and ₱55.25 million as of December 31, 2014 and 2013, respectively. Provision for impairment losses on receivables amounted to ₱0.05 million, ₱0.08 million and ₱17.54 million for the years ended December 31, 2014, 2013 and 2012, respectively. The carrying amounts of receivables amounted to ₱269.30 million and ₱180.95 million as of December 31, 2014 and 2013, respectively (see Note 5).

Estimating Impairment of Property and Equipment, Investment Property, Input VAT and Other Assets

The Company assesses impairment on these assets whenever events or changes in circumstances indicate that their carrying amounts are no longer recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

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

There were no impairment indicators noted for property and equipment, investment property, input VAT and other assets for the years ended December 31, 2014, 2013 and 2012, as such, no impairment testing was performed. The aggregate carrying amounts of property and equipment, investment property, input VAT and other assets amounted to ₱53.73 million and ₱150.37 million as of December 31, 2014 and 2013 respectively (see Notes 7, 8 and 11).

Estimating Impairment of AFS Investments

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

If an AFS investment is impaired, an amount comprising the difference between its cost (net of any principal payment) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognized in profit or loss. AFS investments amounted to ₱2.37 million as of December 31, 2014 and 2013.

For the years ended December 31, 2014, 2013 and 2012, there were no recognized impairment losses on AFS investments.

Estimating NRV of Real Estate for Sale and Development

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

No adjustments on real estate for sale and development were recognized for the years ended December 31, 2014, 2013 and 2012. Real estate for sale and development, at cost, amounted to ₱1,170.45 million and ₱1,117.24 million as of December 31, 2014 and 2013, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As of December 31, 2014 and 2013, the net book values of property and equipment amounted to ₱19.88 million and ₱20.16 million, respectively (see Note 7).

Estimating Retirement Benefit Expense

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

Retirement benefit expense amounted to ₱1.64 million, ₱0.87 million and ₱1.47 million for the years ended December 31, 2014, 2013 and 2012, respectively. Actuarial changes on retirement benefit plan recognized in other comprehensive income (OCI), net of tax amounted to ₱3.14 million and ₱3.50 million losses for the years ended December 31, 2014 and 2013, respectively and ₱3.23 million gain for the year ended December 31, 2012. Retirement benefit obligation amounted to ₱17.25 million and ₱11.12 million as of December 31, 2014 and 2013, respectively (see Note 12).

Estimating Realizability of the Deferred Income Tax Assets

The Company reviews the carrying amounts of its deferred income tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The amount of deferred income tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future planning strategies to which the deferred income tax assets can be utilized as well as the volatility of government issuances on tax interpretations. As of December 31, 2014 and 2013, the Company's deferred income tax assets amounted to ₱21.78 million and ₱19.91 million, respectively (see Note 13).

4. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	₱26,540,782	₱13,223,130
Short-term investments	25,077,346	4,506,787
	₱51,618,128	₱17,729,917

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

Interest income earned from cash in banks and short-term investments amounted to ₱0.16 million, ₱0.09 million and ₱0.34 million for the years ended December 31, 2014, 2013 and 2012, respectively.

5. Receivables

	2014	2013
Trade receivables (see Note 16)	₱268,038,728	₱178,935,747
Impaired installment receivables (discounted)	55,074,832	55,025,886
Advances to suppliers, officers and employees and others:		
Impaired	226,458	226,458
Unimpaired	1,261,077	2,015,044
	1,487,535	2,241,502
	324,601,095	236,203,135
Less allowance for impairment losses	55,301,290	55,252,344
	₱269,299,805	₱180,950,791

Trade receivables mainly represent the Company's outstanding balance in its share in the sale of real estate by SLRDI. Collections of interests and penalties arising from late payment of these receivables amounting to ₱26.54 million, ₱21.65 million and ₱15.71 million in 2014, 2013 and 2012, respectively, are recognized as "Others" in the "Revenue and Other Income" section in the statements 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 to an effective interest rate of 9.45%. Interest income from accretion recognized in 2014, 2013 and 2012 amounted to ₱0.05 million, ₱0.08 million and ₱0.20 million, respectively. The Company recognizes full allowance on these receivables while they are currently on the process of renegotiating with the management of PGMC with respect to the settlement of the outstanding balance of the installment receivables.

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

Movements in allowance for impairment losses are as follows:

	2014	2013
Balances at beginning of year	₱55,252,344	₱55,174,031
Provision	48,946	78,313
Balances at end of year	₱55,301,290	₱55,252,344

6. Real Estate for Sale and Development

	2014	2013
Land for sale and development	₱979,770,109	₱1,031,711,476
Undeveloped land	190,684,677	85,524,942
	₱1,170,454,786	₱1,117,236,418

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Land for Sale and Development

Land for sale and development pertains to land to be developed for residential subdivisions including the land under the joint venture with SLRDI. As discussed in Note 16 to the financial statements, the Company, together with SLRDI, began their regular activities in 2005 based on their joint venture agreement. The land for sale and development covers a land area of 2,070,312 square meters (sqm) as of December 31, 2014 and 2013. As of December 31, 2014, the residential area of Phase 1, Phase 2, and Phase 3 are 100%, 100%, and 84.70% completed, respectively, based on the physical completion report provided by the joint venture's supervising engineer.

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

On December 19, 2012, the Company entered into a contract for the acquisition of land, with a lot area of 926,550 sqm, from BDO Strategic Holdings, Inc. The acquired land is payable within ten years, on an installment basis, with a fixed interest rate of 8% per annum (see Note 10).

Undeveloped Land

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

In 2014, the Company purchased a parcel of land from a third party for a total consideration of ₱76.80 million and other assets. As of December 31, 2014, the Company has already paid ₱20.00 million while the remaining balance of ₱56.80 million was recognized under "Accounts payable and accrued expenses".

Based on management's evaluation, the NRV of the real estate for sale and development is substantially higher than its cost, accordingly, no write-down was recognized for the years 2014, 2013 and 2012.

The amount of real estate for sale and development recognized under "Cost of real estate sold" in the statements of comprehensive income amounted to ₱34.35 million, ₱40.54 million and ₱58.36 million in 2014, 2013 and 2012, respectively.

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

	2014	2013
Balances at beginning of year	₱1,117,236,418	₱1,157,778,227
Land acquired - net	87,570,798	-
Recognized as cost of real estate sold	(34,352,430)	(40,541,809)
Balances at ending of year	₱1,170,454,786	₱1,117,236,418

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7. Property and Equipment

2014

	Office Condominium Unit	Building and Improvements	Furniture, Fixtures and Other Equipment	Hauling and Transportation Equipment	Machinery and Equipment	Total
Costs:						
Balances at beginning of year	₱46,047,004	₱13,693,322	₱8,228,083	₱7,139,540	₱4,486,929	₱79,594,878
Additions	–	1,034,685	236,644	1,401,786	–	2,673,115
Disposals	–	–	–	(1,614,421)	–	(1,614,421)
Balances at end of year	46,047,004	14,728,007	8,464,727	6,926,905	4,486,929	80,653,572
Accumulated depreciation and amortization:						
Balances at beginning of year	29,440,850	12,107,529	7,731,135	5,666,875	4,486,929	59,433,318
Depreciation and amortization	1,841,880	329,120	190,132	596,017	–	2,957,149
Disposals	–	–	–	(1,614,421)	–	(1,614,421)
Balances at end of year	31,282,730	12,436,649	7,921,267	4,648,471	4,486,929	60,776,046
Net book values	₱14,764,274	₱2,291,358	₱543,460	₱2,278,434	₱–	₱19,877,526

2013

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

Fully depreciated machinery and equipment with cost of ₱16.38 million and ₱16.29 million as of December 31, 2014 and 2013, respectively, are still being used in operations.

In 2014, fully depreciated hauling and transportation equipment was disposed for a consideration of ₱0.40 million. “Gain on disposal of property and equipment” presented in the statement of comprehensive income amounted to the proceeds received from the disposal.

8. Investment Property

On January 24, 2005, the Company entered into a contract of lease with PGMCO for the lease of the land where the non-operating properties are located (see Note 5). The contract is for a period of 10 years subject to renewal upon mutual consent of both parties. The contract also calls for an initial payment of ₱0.60 million comprising of one month advance rental deposit and security deposit amounting to ₱0.20 million and ₱0.20 million, respectively.

Investment property being leased out under the operating lease classification has a fair value of ₱242.20 million based on the latest prevailing market price as reported by an independent appraiser.

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For the years ended December 31, 2014, 2013 and 2012, the Company did not recognize the rent income from this lease arrangement as management assessed that it is not probable that the benefit associated with the transaction will flow to the entity. There were no restrictions on realizability of the investment property and no significant costs were incurred to maintain the investment property. There are also no obligations on the part of the Company to develop this investment property.

9. Accounts Payable and Accrued Expenses

	2014	2013
Payable to Araza Resources, Inc. ("Araza")	₱137,061,387	₱-
Trade payables	92,238,944	48,939,378
Accrued expenses	5,859,115	5,759,976
Withholding taxes payable	194,696	228,184
Others	1,140,685	1,774,998
	₱236,494,827	₱56,702,536

Payable to Araza mainly pertains to the portion of the pre-termination payment of the Company's loans payable paid by Araza on behalf of the Company (see Note 10). This payable is unsecured, noninterest-bearing and due and demandable.

Trade payables are unsecured, noninterest-bearing and are generally due and demandable. These include unsecured noninterest-bearing payable to a third party arising from purchase of land in August 2012 and is payable up to 2015. Amortization of discount, included as part of interest expense, amounted to ₱0.69 million, ₱1.12 million and ₱0.68 million for the years ended December 31, 2014, 2013 and 2012, respectively [see Note 19 (b)].

10. Loans Payable

In 2014, the Company pre-terminated the following loans payable:

Loan from	Terms	Rate	Condition
BDOSHI (see Note 6)	Interest-bearing, payable in 10 years	8%	Unsecured
Gregorio Araneta Social Development Foundation (GASDF)	Noninterest-bearing, payable in 4 years	-	Unsecured

The Company paid ₱204.17 million to pre-terminate these loans. This payment was applied to the principal amount and interest payable to BDOSHI and GASDF. No pre-termination costs were paid by the Company.

The carrying amount of these loans as of December 31, 2013 amounted to ₱202.74 million and ₱1.42 million for BDOSHI and GASDF, respectively. Loan payable to GASDF was net of discount amounting to ₱0.02 million.

Movements in discount on loans payable to GASDF are as follows:

	2014	2013
Balances at beginning of year	₱16,471	₱103,698
Less:		
Amortization	(13,736)	(87,227)
Write-off due to pre-termination	(2,735)	-
Balances at end of year	₱-	₱16,471

Interest expense on BDOSHI loan amounted to ₱5.79 million, ₱7.49 million and ₱0.05 million in 2014, 2013 and 2012, respectively (see Note 19).

Write-off of discount from the loan payable is lodged under “Interest” in the “Costs and Expenses” section of the 2014 statement of comprehensive income.

11. Related Party Transactions

Parties are considered related parties if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and other operating decisions. Parties are considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Deposit for Future Land Acquisition

Other than the transaction in 2014 discussed in Note 9, in 2011, the Company entered into a memorandum of agreement (MOA) with Araza (an entity under common control) for future land acquisition. In line with this, the Company assigned to Araza its advances to related parties as deposit for the said land acquisition. Accordingly, the outstanding advances to related parties were reclassified as part of the “Other assets” account in the 2011 statement of financial position.

In 2014, the outstanding balance amounting to ₱86.05 million was applied against Payable to Araza in relation to the pre-termination of the Company’s loans payable that were used in acquiring parcels of land in 2012 (see Notes 6 and 10).

Related Party	Years	Outstanding Balance	Terms	Conditions
Araza	2014	₱-	Due and demandable; noninterest-bearing	Unsecured; no impairment
	2013	₱86,054,295		

Compensation of Key Management Personnel

Short-term compensation of key management personnel of the Company amounted to ₱6.37 million, ₱6.37 million and ₱7.42 million in 2014, 2013 and 2012, respectively.

12. Retirement Benefit Obligation

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

The defined pension benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement for the years ended December 31, 2014, 2013 and 2012.

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

	2014	2013
Balances at beginning of year	₱11,121,460	₱5,259,700
Retirement benefit expense recognized in profit or loss:		
Current service costs	1,088,200	576,300
Interest costs	555,897	288,898
	1,644,097	865,198
Actuarial loss recognized in OCI	4,479,856	4,996,562
Balances at end of year	₱17,245,413	₱11,121,460

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

	2014	2013	2012
Current service cost	₱1,088,200	₱576,300	₱916,400
Interest costs	555,897	288,898	557,408
	₱1,644,097	₱865,198	₱1,473,808

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

	2014	2013	2012
Discount rate	4.52%	5.05%	5.60%
Salary increase rate	6.00%	6.00%	1.80%

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) in basis points	Amounts	
		2014	2013
Discount rate	+100	(₱1,422,387)	(₱1,283,731)
	-100	1,692,836	1,526,896
Salary increase rate	+100	1,564,664	1,419,479
	-100	(1,348,575)	(1,222,966)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2014:

Years	Amounts
Less than 1 year	₱5,065,031
More than 1 year to 5 years	2,367,151
More than 5 years to 10 years	5,101,461
More than 10 years to 15 years	17,376,069
More than 15 years to 20 years	11,222,711
More than 20 years	30,328,742
Total	₱71,461,165

13. Income Taxes

The provision for current income tax in 2014, 2013 and 2012 represents regular corporate income tax.

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

	2014	2013
Deferred income tax assets:		
Allowance for impairment losses	₱16,590,387	₱16,575,703
Retirement benefit recognized in profit or loss	3,572,701	3,079,472
Retirement benefit recognized in OCI	1,600,923	256,966
Others	13,262	-
	21,777,273	19,912,141
Deferred income tax liabilities:		
Effect of difference between revenue recognized for tax and accounting	(34,249,188)	(6,426,782)
Others	-	(69,982)
	(₱12,471,915)	₱13,415,377

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

	2014	2013	2012
At statutory income tax rate	₱35,368,951	₱10,151,106	₱12,426,791
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	5,093,319	5,935,062	2,603,037
Nontaxable income	(48,195)	(27,617)	(100,502)
Others	17,508,025	5,000,000	-
	₱57,922,100	₱21,058,551	₱14,929,326

14. Earnings Per Share

	2014	2013	2012
Net income	₱59,974,404	₱12,778,470	₱26,493,310
Weighted average common shares	1,561,110,070	1,561,110,070	1,561,110,070
Basic and diluted earnings per share	₱0.0384	₱0.0082	₱0.0170

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

15. Financial Instruments and Capital Management

General

The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal

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business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

Financial Risk Management Objectives and Policies

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

As of December 31, 2014 and 2013, 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 AFS investments and as such, has no material impact to the financial statements. Likewise, the Company is not exposed to cash flow interest rate risk due to the fixed interest rate on the Company's loans payable. The Company's exposure to fair value interest rate risk will not affect profit or loss. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Liquidity Risk

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

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

The following tables summarize the maturity profile of the Company's financial assets held for liquidity purposes based on contractual and undiscounted receivables and financial liabilities based on contractual and undiscounted payables.

2014

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash and cash equivalents	₱26,540,782	₱25,077,346	₱-	₱51,618,128
Receivables*	269,299,805	-	-	269,299,805
AFS investments	-	-	2,370,000	2,370,000
	295,840,587	25,077,346	2,370,000	323,287,933
Financial liabilities:				
Accounts payable and accrued expenses**	(236,058,967)	-	-	(236,058,967)
Net financial assets	₱59,781,620	₱25,077,346	₱2,370,000	₱87,228,966

* Excluding impaired receivables.

** Excluding withholding taxes and other statutory tax liabilities.

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2013

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash and cash equivalents	₱13,223,130	₱4,506,787	₱–	₱17,729,917
Receivables*	180,950,791	–	–	180,950,791
AFS investments	–	–	2,370,000	2,370,000
	194,173,921	4,506,787	2,370,000	201,050,708
Financial liabilities:				
Accounts payable and accrued expenses**	(5,759,976)	(14,923,393)	(35,697,204)	(56,380,573)
Loans payable	–	(30,352,344)	(260,688,540)	(291,040,884)
	(5,759,976)	(45,275,737)	(296,385,744)	(347,421,457)
Net financial assets (liabilities)	₱188,413,945	(₱40,768,950)	(₱294,015,744)	(₱146,370,749)

* Excluding impaired receivables.

** 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 amounting to ₱323.29 million and ₱201.05 million in 2014 and 2013, respectively.

Receivables that are neither past due nor impaired are due from creditworthy counterparties with good payment history with the Company. Such receivables are collectible and in good standing as assessed by the Company's management.

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

	2014	2013
Capital stock	₱1,561,110,070	₱1,561,110,070
Capital surplus	154,395,374	154,395,374
Deficit	(454,016,066)	(513,990,470)
	₱1,261,489,378	₱1,201,514,974

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2014, 2013 and 2012.

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

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

There were no movements in the Company's registered securities in 2014, 2013 and 2012. There are 2,220 shareholders who hold 1,561,110,070 shares as of December 31, 2014.

Fair Value and Categories of Financial Instruments

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, Receivables and Accounts Payable and Accrued Expenses

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

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AFS Investments

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

Loans Payable

The discount rates used to compute the fair values ranges from 0.42% to 3.90% in 2013. These were based on market risk free rate adjusted based the credit profile of the Company. The fair value of the Company's loans payable amounted to ₱282.54 million as of December 31, 2013. The Company no longer has any loans payable in 2014.

16. 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 cash override.

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

17. 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.

18. Segment Reporting

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

All segment revenues are derived from external customers. The Company 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, which is the Company's Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the presentation and classification in the statements of comprehensive income.

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

19. Other Matter

a) Note to Statements of Cash Flows

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

b) Interest Expense

Interest expense consists of the following:

	2014	2013	2012
Amortization of discount - trade payables (see Note 9)	₱692,759	₱1,120,507	₱678,155
Amortization of discount - loans payable (see Note 10)	13,736	87,227	154,782
Write-off of discount due to pre-termination of loans payable (see Note 10)	2,735	—	—
Interest expense (see Note 10)	5,794,042	7,491,294	46,569
	₱6,503,272	₱8,699,028	₱879,506

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

The Company reported and/or paid the following types of taxes for the year ended December 31, 2014:

VAT

- a. The Company is VAT-registered with taxable sale of goods amounting to ₱125,087,980 with a corresponding output VAT of 12% amounting to ₱15,010,558.

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 2014 statement of comprehensive income.

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

Republic Act No. 8424, Tax Reform Act of 1997, Title IV, Chapter 1, Section 109(p) specified that sale of residential lot amounting to ₱1,500,000 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 revenue regulation 3-2012, the adjustment in computing VAT resulted to a revised threshold amounting to ₱1,919,500 effective January 1, 2012.

b. Input VAT

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

Balance at January 1, 2014	₱37,756,882
Domestic purchases/payments for:	
Goods for resale or manufacture	563,744
Services lodged under other accounts	591,443
<u>Balance at December 31, 2014</u>	<u>₱38,912,069</u>

Other Taxes and Licenses

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

<i>A. Local</i>	
Documentary stamp taxes	₱6,705,820
Real estate taxes	2,090,085
Business taxes	1,780,418
Licenses, permits and fees	476,579
Community tax certificate	10,500
Others	1,945,834
<i>B. National</i>	
Annual registration	500
	<u>₱13,009,736</u>

Withholding Taxes

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

Withholding taxes on compensation and benefits	₱2,326,161
<u>Expanded withholding taxes</u>	<u>623,891</u>
	<u>₱2,950,052</u>

SGVFS0009877

ARANETA PROPERTIES, INC.
**SCHEDULE OF ALL THE EFFECTIVE STANDARDS
AND INTERPRETATIONS**
AS OF DECEMBER 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-time Adoption of PFRS - Borrowing Costs			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Share-based payment - Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Business Combinations - Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Business Combinations - Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓

* Effective subsequent to December 31, 2014

+ Deferred effectivity



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Investment Entities			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Fair Value Measurement - Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Fair Value Measurement - Portfolio Exception			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Presentation of Financial Statements - Clarification of the requirements for comparative information	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

* Effective subsequent to December 31, 2014
+ Deferred effectivity



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Property, Plant and Equipment - Classification of servicing equipment			✓
	Amendments to PAS 16: Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24, Related Party Disclosures - Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities*	✓		
	Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity instruments			✓
PAS 33	Earnings per Share	✓		

* Effective subsequent to December 31, 2014

+ Deferred effectivity



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatements of Accumulated Amortization*			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property*	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓

* Effective subsequent to December 31, 2014

+ Deferred effectivity



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	No - Adopted	Not Applicable
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate	See foot note. +		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* Effective subsequent to December 31, 2014

+ Deferred effectivity



SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

CONSOLIDATED CHANGES IN THE ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year2014

2. Exact Name of Registrant as Specified in its Charter Araneta Properties, Inc.

3. 21F Citibank Tower Paseo De Roxas Makati City
Address of Principal Office Postal Code

4. SEC Identification Number 0000152249..... 5. (SEC Use Only)
Industry Classification Code

6. BIR Tax Identification Number 000-840-355.....

7. (632)848-1501 to 04
Issuer's Telephone number, including area code

8.
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	9
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Actual number of Directors for the year	9
---	---

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual /Special Meeting)	No. of years served as director
Gregorio Ma. Araneta III	ED	n/a		1997	November 19, 2014	Annual Stockholders' meeting	17 years
Crisanto Roy B. Alcid	ED	n/a	Gregorio Ma Araneta III	2010	November 19, 2014	Annual Stockholders' meeting	5 years
Carlos R. Araneta	ED	n/a		1997	November 19, 2014	Annual Stockholders' meeting	5 years
Luis M. Araneta	NED	n/a	Gregorio Ma Araneta III	2012	November 19, 2014	Annual Stockholders' meeting	2
Perry Pe	ID	n/a	Gregorio Ma Araneta III	2003	November 19, 2014(TenYears)	Annual Stockholders' meeting	10 years
Alfredo De Borja	ID	n/a	Gregorio Ma Araneta III	2009	November 19, 2014 (Four Years)	Annual Stockholders' meeting	5 years
Alfredo D. Roa III	ID	n/a	Gregorio Ma Araneta III	2010	November 19, 2014 (Three Years)	Annual Stockholders' meeting	4 years
Santiago Araneta	NED	n/a	Gregorio Ma Araneta III	2013	November 19, 2014	Annual Stockholders' meeting	1 year
Alfonso Araneta	NED	n/a	Gregorio Ma Araneta III	2013	November 19, 2014	Annual Stockholders' meeting	1 year

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Company believes that a high standard of corporate governance practice is fundamental to the Company's continued success and will therefore undertake every effort necessary to create awareness within the organization. This Manual shall institutionalize the principles of good corporate governance and serves as a barometer of the entire corporation.

The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:

- A) Right to vote on all matters that require their consent or approval;
 - A.1 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
 - A.2 Cumulative voting shall be used in the election of directors.
 - A.3 A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
- B) Pre-emptive right to all stock issuances of the Company;
 - B.1 All Stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Company. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with Corporation Code.
- C) Right to inspect corporate books and records;
 - C.1 All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.
- D) Right to information;
 - D.1 The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealing with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
 - D.2 The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose.
 - D.3 The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such

information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

E) Right to dividends

E.1 Shareholders shall have the right to receive dividends subject to the discretion of the Board.

E.2 The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

F) Appraisal right.

F.1 The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restriction the rights of any stockholders or class of shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

G) The directors are tasked to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the

stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval. Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

(c) How often does the Board review and approve the vision and mission?

With the exemption of economic change that would substantially affect the previously approved Vision and Mission, we generally review and approve the vision mission every 15 years.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group¹

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Gregorio Ma. Araneta III	Carmel Development, Inc.	Executive & Chairman of the Board
	Gamma Properties, Inc.	Chairman of the Board
Crisanto Roy B. Alcid	Carmel Development, Inc.	Executive
	Gamma Properties, Inc.	Executive & Member of the Board

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Gregorio Ma. Araneta III	ISM Communications Corporation	Independent
Gregorio Ma. Araneta III	Oriental Petroleum & Minerals	Independent

¹ The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Corp.	
Alfredo de Borja	Ionics Inc.	Independent

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Gregorio Ma. Araneta III	Carlos R. Araneta	Fourth Degree
Gregorio Ma. Araneta III	Luis M. Araneta	First degree
Gregorio Ma. Araneta III	Alfonso Araneta	First Degree
Santiago Araneta	Carlos R. Araneta	First Degree

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

No.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	None	n/a
Non-Executive Director	None	n/a
CEO	None	n/a

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company: as of December 31, 2014

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Gregorio Ma. Araneta	120,060	499,999,997 (holds 99% of Carmel Development, Inc.) 264,472,892 (holds 50% of Gamma Properties, Inc.)	.01%
Carlos R. Araneta	21,660		Nil
Santiago Araneta	85,800		Nil
Perry L. Pe	1		Nil
Alfredo de Borja	1		Nil
Alfredo D. Roa III	1		Nil
Crisanto Roy B. Alcid	1		Nil
Luis Araneta	1		nil
Alfonso Araneta	1		Nil

TOTAL	227,526		
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2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes No

Identify the Chair and CEO:

Chairman of the Board/CEO	Gregorio Ma. Araneta III (Chairman of the Board/CEO)
President	Crisanto Roy Alcid(President)

No, however, the position of president belongs to a different person.

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Preside over meetings of the Board and Shareholders and oversee the mission and vision of the company	Manage the operation of the company
Accountabilities	Policy formulation and with fiduciary duty from stockholders	Enhance corporate objective and implement policies
Deliverables	Compliance of objectives, goals and targets with the guide of good corporate governance	Ensure target growth, meet revenue and profit

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board of Director’s, the CEO and the managing director, if any, are elected during the Annual Stockholders’ Meeting and/or special stockholders’ meeting, while the president is elected during the organizational meeting which is normally held after the conclusion of Stockholders’ Meeting.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Company policies provide for positions of executive, non-executive and independent directors, who must be at least a college degree holder with relevant experience in the same corporate line of business, specifically on publicly listed companies.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The Company ensures that its independent directors are well versed and experienced in corporate matters in the sector or industry the company belongs to, both local and international.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	Represents the Corporation	Represents other shareholders	Provide neutral observation and decision
Accountabilities	Manages the entire business affairs of the Corporation	Monitoring of Compliance of Company objectives	Formulating policies at high standards for best operation
Deliverables	Compliance of business plan	Monitoring company progress	Safeguard interest of all shareholders

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Independence is a situation/condition wherein a person is independent of the management other than being an officer and employee of the Company and free from any business or other relationship and interest which could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

As provided for by law, the term limit shall be for 5 years, after which a cooling off period of 2 years is mandatory before re-election to another 5 years. However, there shall be a perpetual ban after serving for 10- years.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason

None.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted(including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Selection and appointment of Executive Directors are done through a nomination committee who shall pre-screen the nominees.	<ul style="list-style-type: none"> ➤ Holder of at least one (1) share of stock of the Company; ➤ At least a college graduate or have sufficient

		<p>experience in managing the business to substitute for such formal education;</p> <ul style="list-style-type: none"> ➤ At least twenty one (21) years old; ➤ Proven to possess integrity and probity, ➤ He shall be assiduous. ➤ Other qualifications as provided for by law.
(ii) Non-Executive Directors	Selection and appointment of Non Executive Directors are done through a nomination committee who shall pre-screen the nominees.	➤ Same as above
(iii) Independent Directors	Selection and appointment of Independent Directors are done through a nomination committee who shall pre-screen the nominees.	➤ Same as above.
b. Re-appointment		
(i) Executive Directors	Re-appointments are done are done through a nomination committee who shall pre-screen the nominees.	➤ Same as above.
(ii) Non-Executive Directors	Re-appointments are done are done through a nomination committee who shall pre-screen the nominees.	➤ Same as above
(iii) Independent Directors	Re-appointments are done are done through a nomination committee who shall pre-screen the nominees.	➤ Same as above
c. Permanent Disqualification		

(i) Executive Directors	The Nomination Committee shall pre-screen all candidates nominated to become a member of the board	See ² below.
(ii) Non-Executive Directors	The Nomination Committee shall pre-screen all candidates	Same as above.

²(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

(iii) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

(iv) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;

(v) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;

(vi) Any person judicially declared as insolvent;

(vii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;

(viii) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

	nominated to become a member of the board	
(iii) Independent Directors	The Nomination Committee shall pre-screen all candidates nominated to become a member of the board	Same as above.
d. Temporary Disqualification		
(i) Executive Directors	The Board may provide for the temporary Disqualification of a director.	See ³ Below.
(ii) Non-Executive Directors	The Board may provide for the temporary Disqualification of a director.	Same as above.
(iii) Independent Directors	The Board may provide for the temporary Disqualification of a director.	Same as above
e. Removal		
(i) Executive Directors	The Board may provide for the removal.	Any violation of the provisions of the Securities Regulation Code, Any conviction by final judgment or order by a competent judicial or administrative body of any crime, and Non-nomination from the Election of Stockholders
(ii) Non-Executive Directors	Same as above.	Same as above
(iii) Independent Directors	Same as above.	Same as above.
f. Re-instatement		
(i) Executive Directors	The Board may provide for reinstatement.	As provided by law.

³(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.

(ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.

(iii) Dismissal or termination for cause as director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.

(iv) If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

(ii) Non-Executive Directors	Same as above	Same as above.
(iii) Independent Directors	Same as above.	Same as above.
g. Suspension		
(i) Executive Directors	The Board may provide for suspension.	Any violation from the Securities Regulation Code
(ii) Non-Executive Directors	Same as above	Same as above.
(iii) Independent Directors	Same as above.	Same as above.

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Gregorio Ma. Araneta	Since there were only 9 nominees for the 9 seats available, there was a motion which was approved with no objections, that the votes be cast for the 9 nominees and they were all declared duly elected.
Carlos Araneta	Same as above.
Crisanto Alcid	Same as above.
Luis Araneta	Same as above.
Perry Pe	Same as above.
Alfredo de Borja	Same as above.
Santiago Araneta	Same as above.
Alfredo Roa	Same as above.
Alfonso Araneta	Same as above.

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

No formal orientation program for new directors, but an incoming member of the Board is given a detailed briefing of the company's background by the CEO and as well as by other officers. The Board members may also provide inputs about the company and various issues facing the firm.

- (b) State any in-house training and external courses attended by Directors and Senior Management⁴ for the past three (3) years:

There are no in-house training programs, nor external courses attended by Directors and Senior Management for the past three years.

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
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⁴Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

None			
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B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	See ⁵ below.	Not allowed to participate in the decision making process if conflict of interest is present.	Not allowed to participate in the decision making process if conflict of interest is present
(b) Conduct of Business and Fair Dealings	Same as above.	Encouraged.	Encouraged.
(c) Receipt of gifts from third parties	Accepting gifts from any third parties in exchange for any favor that would detrimental and disadvantageous to company are not allowed	Accepting gifts from any third parties in exchange for any favor that would detrimental and disadvantageous to company are not allowed	Accepting gifts from any third parties in exchange for any favor that would influence hem/her to do beyond his/her capacity and would be disadvantageous to company are not allowed
(d) Compliance with Laws & Regulations	Monitors compliance with Security and Exchange Rules	Ensure and monitor compliance with Security and Exchange Rules	Ensure and monitor compliance with Security and Exchange Rules
(e) Respect for Trade Secrets/Use of Non-public Information	Monitors substantial compliance	Ensure and monitor substantial compliance	Ensure and monitor substantial compliance
(f) Use of Company Funds, Assets and Information	The company in general has provided various policies and procedure in safeguarding the company resources specifically handling	Ensure compliance of the company policies and procedure in safeguarding the company resources specifically handling of fund, uses its assets	Adopted various policies and procedure in safeguarding the company resources specifically handling of fund, uses its assets and enhancement of

⁵The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position.

A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.

	of fund, uses its assets and enhancement of Information technology	and enhancement of Information technology	Information technology
(g) Employment & Labor Laws & Policies	The basic principle to be adopted strict compliance with labor laws and working condition	Ensure compliance with labor laws, practices and working condition among employees	Ensure that all employees have a have the copy for his/her own for them to read and understand their duties, responsibilities and as well as benefits.
(h) Disciplinary action	The company in general has provided various policies and procedure on the disciplinary action according to the complexity of offences such as reprimand level, Suspension level or principal offence subject to dismissal	Ensure that company policy is properly disseminated, observed and implemented	Ensure that all employees have a have the copy for his/her own for them to read and understand their duties and responsibilities including corresponding disciplinary action against hem/her
(i) Whistle Blower	None	None	None
(j) Conflict Resolution	None	None	None

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The company implements and monitors compliance through each of the committees (whenever applicable), or its substitutes, who shall report regularly to the board of directors.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	All related party transaction have to be on an arms-length basis if the company gets the most competitive product from related party
(2) Joint Ventures	Same as above
(3) Subsidiaries	N/A

(4) Entities Under Common Control	N/A
(5) Substantial Stockholders	Same as #1 and #2.
(6) Officers including spouse/children/siblings/parents	No such related party transaction.
(7) Directors including spouse/children/siblings/parents	No such related party transaction.
(8) Interlocking director relationship of Board of Directors	The Board member has to have knowledge of industry if he/she serves on the board of subsidiary.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	Not applicable
Name of Officer/s	Not applicable
Name of Significant Shareholders	Not applicable

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	No formal mechanism in place
Group	No formal mechanism in place

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,⁶ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None	Not applicable	Not applicable

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None	Not applicable	Not applicable

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

⁶ Family relationship up to the fourth civil degree either by consanguinity or affinity.

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None	Not applicable	Not applicable
None	Not applicable	Not applicable

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	None
Corporation & Third Parties	None
Corporation & Regulatory Authorities	None

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The meetings of the Board are scheduled every month.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Gregorio Ma. Araneta III	11-19-2014	9	9	100%
Member	Carlos R. Araneta	11-19-2014	9	8	100%
Member	Crisanto Roy. B. Alcid	11-19-2014	9	8	100%
Member	Luis M. Araneta	11-19-2014	9	8	100%
Independent	Perry L. Pe	11-19-2014	9	6	100%
Independent	Alfredo de Borja	11-19-2014	9	7	100%
Member	Santiago Araneta	11-19-2014	9	8	100%
Independent	Alfredo D. Roa III	11-19-2014	9	9	100%
Member	Alfonso Araneta	11-19-2014	9	9	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

None.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business. Every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be a valid corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board

5) Access to Information

(a) How many days in advance are board papers⁷ for board of directors meetings provided to the board?

No later than seven (7) days

(b) Do board members have independent access to Management and the Corporate Secretary?

Yes, the members of the Board Members are given independent access to Management and the Corporate Secretary.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The role of the company secretary are:

- i. To record or see to the proper recording of the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law
- ii. To keep or cause to be kept record books showing the details required by the law with respect to the stock certificates of the corporation including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred
- iii. To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same
- iv. To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given
- v. To certify to such corporate acts, countersign, corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations
- vi. To act as the inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result and do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all of the foregoing duties, powers and functions to any other person or persons, subject always to his supervision and control
- vii. perform such other duties as are incident to his office or as may be assigned

⁷ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

to him by the Board of Directors or the President

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes No

Committee	Details of the procedures
Executive	The members of the Board are given independent access to Management and the Corporate Secretary. The information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.
Audit	Same as above.
Nomination	Same as above
Remuneration	Same as above.
Others (specify)	N/A

- 6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Members of the Board may have access to independent professional advise	The members, either individually or as a Board, and in furtherance of their duties and responsibilities, may hire independent professional advice at the Company's expense.

- 7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None	N/A	N/A

D. REMUNERATION MATTERS

- 1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Based on trade benchmark	Based on trade benchmark
(2) Variable remuneration	None	None
(3) Per diem allowance	None	None
(4) Bonus	None	None
(5) Stock Options and other financial instruments	None	None
(6) Others (specify)	N/A	N/A

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Based on trade bench mark	N/A	N/A
Non-Executive Directors	None	N/A	N/A

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
No.	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	6,500,000	3,998,400	None
(b) Variable Remuneration	None	None	None
(c) Per diem Allowance	None	None	None
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
Total	6,500,000	3,998,400	None

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	None	None	None
(f) Hospitalization Plan	None	None	None
(g) Car Plan	None	None	None
(h) Others (Specify)	None	None	None
Total	None	None	None

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
None	None	None	None	None

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None	None	None

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
President	
Vice President	
Legal Officer	

Chief Finance Officer	Total for the year 2014 P5,160,000
Corporate Secretary	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	3 (see ⁸ below .)	None	One	None.	See ⁹ below	See ¹⁰ below.	See ¹¹ below.

⁸Two of the members of the executive committee are non board members

⁹There is an effective and appropriately constituted Committee who received relevant and timely information required to properly accomplish their duties.

¹⁰The members of the Committee shall meet when necessary throughout the year to adopt and review the key strategic and operational matters such as but not limited to Internal control, major investments, funding decision, identification and proper treatment of financial risk.

¹¹Recommends approval to the Board, any Corporate Act.

Audit	Two	None	One	In process.	See ¹² below.	See ¹³ below.	Oversight, review, and evaluate.
Nomination	two (2)	None	one(1)	None.	See ¹⁴ below.	Recommend candidates for appointment.	Recommendation

-
- ¹²a. Provide oversight over the senior management’s activities in managing credit, market liquidity, operational, legal and other risk of the Corporation. This function shall include receiving from senior management periodic information on risk exposures and risk management activities;
- b. Provide oversight of the Corporation’s internal and external auditors;
- c. Review and approve audit scope and frequency and the annual internal audit plan;
- d. Discuss with the external auditor before the audit commences the nature and scope of the audit and ensure coordination where more than one audit firm is involved;
- e. Be responsible for setting up an internal audit department and consider the appointment of an internal auditor as well as an independent external auditor, the audit fee and any questions or resignation or dismissal;
- f. Monitor and evaluate the adequacy and effectiveness of the Corporation’s internal control system;
- g. Receive and review reports of internal and external auditors and regulatory agencies where applicable and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- h. Review the quarterly, half year and annual financial statements before submission to the Board, focusing particularly on:
- i. Any change/s in accounting policies and practices;
 - ii. major judgmental areas
 - iii. significant adjustments resulting from the audit
 - iv. going concern assumption
 - v. compliance with accounting standards
 - vi. compliance with tax, legal, and stock exchange requirements
- i. Be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. It may also constitute a compliance Unit for this purpose.
- j. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Corporation’s total expenditure on consultancy, The non-audit work should be disclosed in the annual report.
- k. Establish and identify the reporting line of the chief audit executive so that the reporting level allows the internal audit activity to fulfill its responsibilities. The chief audit executive shall report directly to the Audit Committee functionally. The Audit Committee shall ensure that the internal auditors have free and full access to all the Corporation’s records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of the internal auditing examinations, performing work, and communicating results and shall provide a venue for the Audit Committee to review and approve the annual internal audit plan.

- ¹³a. Oversight function.
- b. Review and approval.
- c. Set up internal audit department.
- d. Monitor and evaluation.
- e. Receive and review reports.
- f. Review financial statements.

¹⁴The 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.

Remuneration	two (2)	None	one(1)	None.	See ¹⁵ below.	Determine remuneration /compensation policy.	Assessment.
Others (specify)							

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman(ED)	Gregorio Ma. Araneta III	11-19-2014				17 yrs
Member (ED)	Crisanto Roy B. Alcid	11-19-2014				5 yrs
Member (ED)	Carlos R. Araneta	11-19-2014				17 yrs
Member	Atty. Christine Base	11-19-2014				7 yrs

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Alfredo De Borja	11-19-2014				5yrs
Member (ED)	Gregorio Ma. Araneta III	11-19-2014				17yrs
Member (ED)	Crisanto Roy Alcid	11-19-2014				5yrs

Disclose the profile or qualifications of the Audit Committee members.

Alfredo De Borja

Filipino, 69 years old, is an independent director of the company. He is also the President and a Director of Makiling Ventures, Inc.(Real Estate Development) and E. Mauricio, Inc. (Furniture mfg. & exporter), Director of ICCP Ventures, Inc., ICCP Management Corp., Rustances Supercenters, Inc., RFM-Science Park of the Philippines, Regatta-Beacon Land Corp., Regatta Properties, Inc., Pueblo de Oro Dev't. Corp., Cebu Light Industrial Park, Inc. and Araneta Properties, Inc.

Gregorio Ma. Araneta III

Filipino, 65 years old, is the vice chairman and CEO and Director of the Company, He is also the chairman of the Board of Autobus Transport System, Inc., Gregorio Araneta Management Corporation(GAMACOR), GAMMA Holdings Corp., and GAMMA Properties, Inc.

Mr. Araneta is the president of Araza Resources Corporation, Envirotest Corporation, Enviroclean

¹⁵Responsible in determining the Company's policy on executive remuneration and is specifying the remuneration and compensation packages on the employment or early termination from office of each of the executive directors of the Company. The committee also monitors the compensation packages of other senior executives in the group below the Board level.

Corporation, Carmel Development, Inc., Gregorio Araneta Incorporated. He is also a Director of LBC Development Bank and Asia International Travel Corp. Mr. Araneta Studied at the University of San Francisco and Ateneo de Manila where he earned his Bachelor of Arts Degree in Economics.

Crisanto Roy B. Alcid

Filipino, 44 years old, is currently the President of Araneta Properties, Inc. He was the Chief Finance Officer of Araneta Properties, Inc. and concurrently the President of Envirotec, Inc, Carmel Development Corp., and Roycomm Holdings, Inc. He is also the Executive Vice President of Araneta Properties, Inc., Gregorio Araneta Management Corporation, Gregorio Araneta, Inc. and Araza Resources Corporation. Before joining the Araneta group, he was formerly connected with Atala Land, Asiastrust Development Bank and Citibank N.A. Mr. Alcid holds a Bachelor of Science Degree in Management Engineering from Ateneo de Manila University.

Describe the Audit Committee’s responsibility relative to the external auditor.

In relation to the external auditor, the audit committee has the following responsibilities:

1. Review and evaluate the professional qualifications, performance and independence of the external auditor and the lead partner.
2. Review and approve with the external auditor, before the audit commences, the nature and scope of the audit plans, including scope, audit resources and expenses.
3. Review and approve the fees, remuneration and terms of engagement of the external auditor for audit and non-audit services.
4. Evaluate and approve non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor in relation to their significance to the auditor.
5. Review the reports or communications of the external auditors as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management and other material issues that affect the audit and financial reporting, and ensure that management or the Board will promptly address the issues raised.
6. Ensure that the external auditor complies with auditing standards.
7. Ensure that the external auditor or the lead, engagement, or handling partner having primary responsibility for the audit or review of the corporation is rotated at least once every five years.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Alfredo De Borja	11-19-2014	5	5		2 yrs
Member (ED)	Gregorio Ma. Araneta III	11-19-2014	5	5	100%	15 yrs
Member (ED)	Crisanto Roy B. Alcid	11-19-2014	5	5	100%	5 yrs
Member	N/A					
Member	N/A					

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Alfredo De Borja	11-19-2014	1	1	100%	5 yrs
Member (ED)	Carlos R. Araneta	11-19-2014	1	1	100%	15 yrs

Member (ED)	Gregorio Ma. Araneta III	11-19-2014	1	1	100%	15 yrs
Member (ID)	N/A					
Member	N/A					

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	None					
Member (ED)	None					
Member (NED)	None					
Member (ID)	None					
Member	None					

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	None	N/A
Audit	None	N/A
Nomination	None	N/A
Remuneration	None	N/A
Others (specify)	None	N/A

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Oversight and supervision on management.	Various.
Audit	Oversight and supervision on Audit.	Various.
Nomination	Vet nominees.	Various.
Remuneration	Review compensation	Various.
Others (specify)	None.	n/a

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None.	n/a
Audit	None.	n/a
Nomination	None.	n/a
Remuneration	None.	n/a
Others (specify)	None.	n/a

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

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.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

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. 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 Board of Directors 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.

(c) Period covered by the review;

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.

- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

There is constant review and monitoring of Company's risk to be able to assessing the soundness and effectiveness of the risk management system

- (e) Where no review was conducted during the year, an explanation why not.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Cash handling and placement	Fluctuating interest rates	Find the best placement rates
Receivable and AFS Investments	Collectability factor	Ensure provision for D/A based on prevailing interest rate
Foreign Currency	Minimal exposure	Most of the financial instrument are denominated in Philippine peso

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Liquidity risk	Failure of management to meet its contractual obligation	<p>Ensure to have sufficient fund liquidity to meet its liability when due, under both normal and stressed conditions, without unacceptable losses or risking adverse effect to the Company's credit standing.</p> <p>The management uses historical figures and experiences and relevant forecast from its collection and disbursements to monitor inflows and outflows.</p>

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
No risk.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Cash handling	Regular monitoring of banking system	Uses its bank network that could provide relevant information on a real time basis to immediately identify and properly act such risk.
Receivable and AFS Investments	Regular monitoring of investments and exchange market	Using internet and other relevant facility to gather information on an annualize basis to be able to provide and make any action for counter such risk
Property and equipment	Regular monitory the viability and availability of such assets	Uses the historical method in determining the usable life to able to depreciate the said assets based on the generally accepted accounting practice
None	N/A	N/A

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
None	N/A	N/A

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Management Committee	Provide systems, controls, procedures and as well as policies are always on top of the operating process	Monitoring of all the systems, procedures and as well as policies are always on top of the operating process

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

The company's audit committee charter is currently in process.

(a) Explain how the internal control system is defined for the company;

Internal control system is the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The directors reviewed the soundness and adequacy of the system from time to time to immediately resolve any exposure to risk due to weak internal control system.

(c) Period covered by the review;

The Company's Internal Control System takes place in a day-to-day operations and normal business process to be able to monitor if the systems of control working adequately.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

There is constant review and monitoring of Company's System and Control to be able to assess the soundness and effectiveness of said Internal control system.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Internal Audit

The Company do not have Internal Auditor, instead it hired the services of Sycip, Gorres, Velayo & Co., an Auditing firm to handle all audit and check and balance related activity.

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Review with management and the head of the internal audit group the charter, plans, activities, staffing and organizational structure of the internal audit function.	Mere review with management and head of the internal group.	Performed by the audit committee. (In-house)	SGV and Co.,	The internal auditor/audit committee shall report to the Board of Directors.

Review and approve the annual audit plans prepared by the internal audit group and major changes to the plans if any.	Review and approval which should cover the evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with applicable laws, rules and regulations.	Performed by the audit committee. (In-house)		The internal auditor/audit committee shall report to the Board of Directors.
Review with management significant findings and recommendations of the internal audit group and managements response thereto including an action plan for implementation to correct weaknesses and any difficulties encountered by the auditors in the course of their audit.	Mere review with management.	Performed by the audit committee. (In-house/External)		The internal auditor/audit committee shall report to the Board of Directors.
Require the internal audit group to submit an annual report to the committee and management of its activities and performance relative to the audit plan approved by the committee.	To require submission.	Performed by the audit committee. (In-house/External)		The internal auditor/audit committee shall report to the Board of Directors.

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

No, they were nominated during the Annual Stockholders' Meeting.

(c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

1. Review with management and the head of the internal audit group the charter, plans, activities, staffing and organizational structure of the internal audit function.
2. Review and approve the annual audit plans prepared by the internal audit group and major changes to the plans if any.
3. Review with management significant findings and recommendations of the internal audit group and managements response thereto including an action plan for implementation to correct weaknesses and any difficulties encountered by the auditors in the course of their audit.
4. Require the internal audit group to submit an annual report to the committee and management of its activities and performance relative to the audit plan approved by the committee.

3) External auditor’s are given independent access to all accounting and other business records

(d)Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of theinternal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
None	

(e)Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	None
Issues¹⁶	N/A
Findings¹⁷	N/A
Examination Trends	N/A

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f)Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation”.

¹⁶“Issues” are compliance matters that arise from adopting different interpretations.

¹⁷“Findings” are those with concrete basis under the company’s policies and rules.

Policies & Procedures	Implementation
None	

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
None.			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Chief executive officer.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	None	
Supplier/contractor selection practice	None	
Environmentally friendly value-chain	None	
Community interaction	None	
Anti-corruption programmes and procedures?	None	
Safeguarding creditors' rights	None	

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

None

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

None

(b) Show data relating to health, safety and welfare of its employees.

None.

(c) State the company's training and development programmes for its employees. Show the data.

None

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

None.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

None.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Carmel Development, Inc.	499,999,997	32.03%	99% held by Gregorio Ma. Araneta III
Gamma Properties Inc.	264,472,892	15.78%	50% held by Gregorio Ma. Araneta III
PCD Nominee	756,815,031	46.48%	
LBC Express, Inc.	195,043,074	12.49%	99% owned by LBC development Corporation, who is 25% owned by Santiago Araneta.
Olongapo Mabuhay Express Corporation	124,855,422	8.00%	80% held by Ma. Joy A. Cruz

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
n/a			
TOTAL			

No member of senior management holds 5% shareholding or more.

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes

Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No, as it is not required under SEC form 17-A.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No, as it is not required under SEC form 17-A.
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	No, as it is not required under SEC form 17-A. It is disclosed in a separate certification on attendance through SEC for 17-C.
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV and Co.	P500,000.00 per year	P34,662.22

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

The company sends written notices to each stockholder to disseminate important information regarding the company.

5) Date of release of audited financial report:

Audited financial report current year 2013 From 17-A disclosed on April 2014.

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Have not provided such briefings to analysts and media
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	No

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
Advances against Salary	Loan granted to employees	Emergency loan repayable over a period of ten months.	One Salary.
Advances for liquidation.	Fund issued to employees for his/her official business work.	The fund is liquidated no more than seven days from the date of issuance of fund.	Depending on the complexity of work to be done.

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The company makes sure that RPT's are entered into on arm's length terms comparable to unrelated 3rd parties.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of the outstanding capital stock must be present or represented by proxy.
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Ratification of acts of management and the board during stockholders meeting
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Description	Acts of management are submitted for ratification by the stockholders during the annual stockholders meeting
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(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
No difference	No difference

Dividends

Declaration Date	Record Date	Payment Date
None	N/A	N/A

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
During stockholders meeting, a time is allocated for the investing public to presents their question the Board and the Management	Part of the agenda

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution
 - b. Authorization of additional shares
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

All issued discussion are crucial that are immediately acted upon, decide and approved by the stockholders during the Annual Meeting Agenda is sent to the shareholders in advances so they can prepare matters to discuss those issue if any.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

Yes.

- a. Date of sending out notices:

October 28, 2014

- b. Date of the Annual/Special Stockholders' Meeting:

November 19, 2014

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

None

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the minutes of the annual stock holders meeting held on November 20, 2014.	1,098,220,249 shares	0	0
Presentation and approval of the Financial Statements as of December 31, 2013.	1,098,220,249 shares	0	0
Ratification of the acts of the Board of Directors and officers.	1,098,220,249 shares	0	0
Appointment of External auditors.	1,098,220,249 shares	0	0
issuance of ARA Common Shares of up to 25% of the Company's Total Outstanding Capital Stock and the delegation to the Company's Board of Directors the determination of the terms of the issuance of shares.	1,098,220,249 shares including the majority of the minority.	0	0

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The results were disclosed with the PSE 10 minutes after or on November 19, 2014.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None.	n/a

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members /	Date of Meeting	Voting Procedure (by poll, show of	% of SH Attending	% of SH in	Total % of SH attendance
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	Officers present		hands, etc.)	in Person	Proxy	
Annual	1. Gregorio Ma. Araneta III 2. Carlos Araneta 3. Crisanto Roy Alcid 4. Perry Pe 5. Alfredo de Borja 6. Alfredo Roa 7. Luis Araneta 8. Alfonso Araneta	November 19, 2014	Show of hands	1%	99%	70.34%
Special	None	n/a	n/a	n/a	n/a	n/a

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

If the votes are casted by ballot, an external auditor and the transfer agents would count the votes.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes one vote carries one share

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Proxies must be in the Hand of the Corporate Secretary not later than 10 days before the time set for the meeting. A forum for validation shall be conducted not later than 7 days before any meeting.
Notary	No formal policy as to Notary.
Submission of Proxy	Submitted to the Corporate Secretary not later than 10 days before the time set for the meeting.
Several Proxies	Submitted to the Corporate Secretary not later than 10 days before the time set for the meeting.
Validity of Proxy	Unless otherwise provided, the proxy shall be valid only for the meeting at which it was presented to the secretary.
Proxies executed abroad	Submitted to the Corporate Secretary not later than 10 days before the time set for the meeting.

Invalidated Proxy	Decided upon by the Corporate Secretary during a forum conducted for that purpose.
Validation of Proxy	Decided upon by the Corporate Secretary during a forum conducted for that purpose.
Violation of Proxy	No formal policy as to violation of proxy

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Regular Meeting via personally, via mail, or by publication.	Personally or via mail, two weeks prior to the date of the meeting to each stockholder of record at his last known post office address or by publishing the notice in a newspaper of national circulation. The notice shall state the place, date, hour of the meeting, and the purpose or purposes for which the meeting is called.
Special Meeting via personally, via mail, or by publication.	Same as above.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	2,220
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	October 28, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	October 28, 2014
State whether CD format or hard copies were distributed	Hard Copies
If yes, indicate whether requesting stockholders were provided hard copies	Hard Copies

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes

Documents required for proxy vote.	Yes
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Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Right to vote on all matters that require their consent or approval	<ol style="list-style-type: none"> 1. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. 2. Cumulative voting shall be used in the election of directors. 3. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
Pre-emptive right to all stock issuances of the Company	All Stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Company. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with Corporation Code.
Right to inspect corporate books and records	All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

Right to information	See ¹⁸ below.
Right to dividends	See ¹⁹ below.
Appraisal right.	See ²⁰ below.
Promotion of rights	See ²¹ below.

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- ¹⁸ 1. The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealing with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purpose.
3. The minority share holders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

- ¹⁹ 1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.
2. The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

²⁰The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restriction the rights of any stockholders or class of shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

- ²¹ The directors are tasked to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company’s external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

None

2) Describe the company’s investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	Timely disclosures of material information
(2) Principles	Enable investors to make appropriate investment decision
(3) Modes of Communications	Disclose information to SEC/PSE, upload it on Company website
(4) Investors Relations Officer	None

3) What are the company’s rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company has not gone through such transaction and have not set policy for such.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Sponsor of GK (Gawad Kalinga) housing project of National Housing Authority located at Isabela Cultural GK San Jose, Del Monte, Bulacan	Homeless residence of Caloocan and San Jose Del Monte, Bulacan

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder’s favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders’ meaningful participation in meetings, whether in person or by proxy. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Periodic self-appraisal	Board discussion, participation and voting
Board Committees	Periodic self-appraisal	Meeting targets set by the committee
Individual Directors	Periodic self-appraisal	Board discussion, participation and voting
CEO/President	Periodic self-appraisal of management	Monitoring Corporate objectives

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
First violation	Reprimand or much higher sanction depending on the complexity of offence
Second Violation	Suspension or much higher sanction depending on the complexity of offence
Third Violation	Removal from office

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

SECRETARY'S CERTIFICATE

I, **CHRISTINE P. BASE**, Filipino, of legal age and with office address at 8th Floor Chatham House, 116 Valero St. , Salcedo Village, Makati City after having been duly sworn to in accordance with law do hereby depose and state that:

1. I am the duly elected Corporate Secretary of **ARANETA PROPERTIES, INC.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at the 21st Floor, Citibank Tower, Paseo de Roxas, Makati City;

2. The resolutions approved by the Board of Directors of the Corporation that resulted in changes and/or updates to the Annual Corporate Governance Report of the Corporation as consolidated in the document entitled "Consolidated Changes in the ACGR for the year 2014" are set out in the attached Annex "A" hereof.;

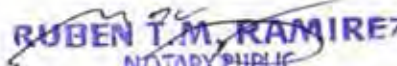
3. The foregoing resolution has not been suspended, revoked or amended and remains valid and binding on the Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this APR 15 2015 at Makati City, Philippines.


CHRISTINE P. BASE
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 15 2015 at Makati City, Philippines, affiant exhibiting to me her IBP- issued on With # 08661 at Albay Chapter, and shall valid until Life Time Member

Doc. No. 57;
Page No. 12;
Book No. 262;
Series of 2015.


RUBEN T. M. RAMIRE
NOTARY PUBLIC
UNTIL DEC. 31, 2015
IBP NO. 978780 / CY-2015
COLL. NO. 22997/MICLE-4 NO. 0006324-0-4
TR. NO. MKT. 475075 1/1-5-15 MAKATI CITY

ANNEX "A"

- I. At a meeting of the stockholders held on November 19, 2014, the shareholders of the Corporation approved the issuance of ARA Common Shares of up to 25% of the Company's Total Outstanding Capital Stock and the delegation to the Company's Board of Directors the determination of the terms of the issuance of shares. The majority of the minority shareholders present or represented during the meeting also approved to waive the conduct of a rights or public offering relative to the aforesaid issuance of common shares.
- II. At the same meeting, the following were elected as the members of the board of directors for the year 2014-2015:
 1. Gregorio Ma Araneta III
 2. Carlos Araneta
 3. Crisanto Roy B. Alcid
 4. Luis Araneta
 5. Alfonso Araneta
 6. Santiago Araneta

And the following were elected as independent directors:

7. Perry Pe
8. Alfredo de Borja and
9. Alfredo D. Roa III

At the organizational meeting held on November 19, 2014, the following were elected as officers of the corporation:

- | | |
|-----------------------------|----------------------|
| 1. Gregorio Ma. Araneta III | - Chairman/CEO |
| 2. Crisanto Roy Alcid | -President |
| 3. Christine P. Base | -Corporate Secretary |
| 4. Carlos Araneta | -Treasurer |

III. The following Board Committees were constituted and their respective members were appointed:

1. Audit Committee

Chairman -Alfredo de Borja

Members -Gregorio Ma. Araneta III
-Crisanto Roy Alcid

2. Nomination Committee

Chairman -Alfredo de Borja

Members -Gregorio Ma. Araneta III
-Crisanto Roy Alcid

3. Compensation and Remuneration Committee

Chairman -Alfredo de Borja

Members -Gregorio Ma. Araneta III
-Crisanto Roy Alcid