COVER SHEET

9	4	0	0	7	1	6	0

SEC Registration Number

A R T H A L A N D   C O R P O R A T I O N

(Company's Full Name)

8 F   P I C A D I L L Y   S T A R   B U I L D I N G ,
4 T H   A V E N U E   C O R N E R   2 7 T H   S T R E E T ,
B O N I F A C I O   G L O B A L   C I T Y ,
T A G U I G   C I T Y ,   M E T R O   M A N I L A   1 6 3 4

(Business Address: No. Street City/Town/Province)

PONCIANO S. CARREON, JR.
(Contact Person)

(+632) 403-6910
(Company Telephone Number)

1 2 **3 1**
Month *Day*
(Fiscal Year)

2013
1 7 - A
(Form Type)

0 6 **Last Fri**
Month *Day*
(Annual Meeting)

N.A.
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2,070
Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **31 December 2013**

2. SEC Identification Number **ASO-94-007160** 3. BIR Tax Identification No. **126-004-450-721**

4. Exact name of issuer as specified in its charter **ARTHALAND CORPORATION (ALCO)**

5. **Metro Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City** **1634**
Address of principal office Postal Code

8. **(+632) 403-6910/403-6915**
Issuer'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 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt Outstanding
Common Shares	**5,318,095,199 (₱0.18 par value)**	**None**

11. Are any or all of these securities listed on a Stock Exchange? Yes [**x**] No [ ]
If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange – Only 3,696,865,199 Common Shares are listed at present.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports): Yes [**x**]
No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days: Yes [**x**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Name of Shareholders	No. of Shares	Market Price of Shares	Total Amount (₱)
1. Nanlong Investment Limited	342,619,910	0.1930	66,125,642.63
2. Edimax Investment Limited	296,460,000	0.1930	57,216,780.00
3. Viplus Investment Limited	247,899,874	0.1930	47,844,675.68
4. Kinstar Investment Limited	94,720,035	0.1930	18,280,966.76
5. The First Resources Mgt. And Sec.	37,500,000	0.1930	7,237,500.00
6. Keng, Tina	25,000,000	0.1930	4,825,000.00
7. Bartolome, Rosario	15,231,750	0.1930	2,939,727.75
8. EQL Properties, Inc.	14,671,125	0.1930	2,831,527.12
9. Urban Bank Trust Department – A/C No. 625	4,838,488	0.1930	933,828.18
10. RBL Fishing Corporation	4,350,000	0.1930	839,550.00

Documents Incorporated by Reference:

Audited Financial Statements for the period ended as of 31 December 2013

- 0 -

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

a. Corporate Overview

ARTHALAND CORPORATION was incorporated on 10 August 1994[1] for the purpose of engaging in property development of residential, commercial, leisure and industrial projects**.** Its shares are traded in the Philippine Stock Exchange with the trading symbol ALCO. The principal office thereof is at the 8th Floor Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

ALCO instituted several corporate actions in 2007 to prepare for its medium and long term business goals. It underwent a quasi-reorganization consisting basically of the reduction in the par value of its shares and decrease in authorized capital stock[2] and subsequently a recapitalization program and increase in authorized capital stock[3] which led to the entry of new investors, namely AO Capital Holdings 1, Vista Holdings Corporation, The First Resources Management and Securities Corporation and Elite Holdings, Inc. (collectively, the "new investors").

On 12 August 2008, the Board approved the ₱750.0 million subscription in ALCO by the new investors equivalent to 3.750 billion common shares.

On 26 April 2011, CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers domiciled in the Philippines, acquired a total of 1,800,000,000 ALCO common shares, or an equivalent of 33.847% of ALCO's total issued and outstanding common shares. Presently, CPG is the leading shareholder of ALCO.

b. Business/Projects

ALCO's main business activity is the development of residential, commercial and leisure properties. It is geared to pursuing niched and boutique developments as well as opportunistic joint venture developments.

ALCO is a registered member of the US Green Building Council's Leadership in Energy and Environmental Design Program (LEED), a US organization which sets the world standards for green buildings and sustainable developments. It is a globally recognized green building rating system that warrants comprehensive, inclusive and calibrated measures in ensuring sustainability and environmentally sound practices.

ALCO has investments in various properties with aggregate book value of ₱2.002 billion and market value of ₱3.089 billion. Two (2) of these properties are at the Bonifacio Global City (BGC) and a 35-hectare property in Calamba City.

ALCO is the developer of Arya Residences, the pioneer and only top-end high rise

---

[1] The Securities and Exchange Commission (SEC) approved the amendment of ALCO's Articles of Incorporation and By-laws reflecting the change of its corporate name on 26 January 2009.
[2] As approved by the SEC on 04 December 2007.
[3] From ₱246,257,136.00 to ₱2,946,257,135.82, divided into 16,368,095,199 common shares at a par value of ₱0.18 per share as approved by the SEC on 24 December 2008.

residential development in the Philippines that is on target to achieve dual green building certification. Due to its strict adherence to the global sustainability measures – from planning to construction, and even beyond turnover – Arya Residences is set to achieve the Gold certification from the US Green Building Council's LEED.

Arya Residences is the leading high rise residential development that set the standard in the Philippine Green Building Council's BERDE (Building for Ecologically Responsive Design Excellence), or the green building rating system used to measure, verify and monitor the environmental performance of buildings that exceed existing mandatory regulations and standards in the Philippines. Arya Residences garnered international recognition for two (2) years in a row now. In fact, no less than the South East Asian Property Awards has chosen Arya Residences as the Best Residential Development in the Philippines in 2012 and 2013. It has also been recognized in the Inaugural Philippines Property Awards (PPA) to be the Best Residential Development in Manila with the Best Residential Architectural Design.

ALCO gained various seals of approval in 2013 and was acknowledged as the Best Boutique Developer by the PPA and as among the Top 10 Developers in the Philippines by BCI Asia. Since 2011, ALCO has been a recipient of the Environmental Leadership Award from the World Wide Fund for Nature (WWF-Philippines) for its staunch support of the group's Climate Change Adaptation program.

ALCO commits to provide property management services to the condominium corporation of all its development projects even after they are completed and turned over to the respective buyers. Post-completion involvement allows ALCO to maintain a high standard of maintenance quality in its developments.

c. Subsidiaries

As of 31 December 2013, ALCO holds 100% ownership interest in the following domestic companies:

i. Cazneau Inc. was incorporated on 31 July 2008 principally to engage in the realty development business, including, but not limited to, the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer of residential, industrial or commercial property;

ii. Technopod, Inc., which was renamed Emera Property Management, Inc. in October 2013[4], was likewise incorporated on 31 July 2008. It was originally established to engage in the realty development business but it will now serve as the property management arm of ALCO not only for its flagship project, Arya Residences, but for all its development projects to ensure the maintenance of high quality standards therein;

iii. Manchesterland Properties, Inc. was incorporated on 27 March 2008 and is presently the registered owner of a 6,357-square meter property located along McKinley Parkway on which Arya Residences is currently being constructed;

[4] The SEC approved the amendment of its Articles of Incorporation and By-laws reflecting the change of the corporate name on 30 October 2013.

and

iv. Urban Property Holdings, Inc. was incorporated on 23 January 1995 and was established for the development of a housing project on its 33-hectare property located in Calamba, Laguna. However, this plan may change subject to market conditions.

Subject to matters disclosed in Item 3 (Legal Proceedings) of this Report, none of these subsidiaries are engaged in any bankruptcy, receivership or similar proceedings. During the period covered by this Report, they are neither parties to any transaction which involves material reclassification, merger, consolidation or purchase or sale of a significant amount of assets.

d. Competition

Significant barriers to entry into the market are the considerable capital needed for the acquisition and development of land, the development expertise and reputation required from an experienced management team, and the technological know-how from a technical team, to name a few.

ALCO faces competition from other domestic property developers and the level of competition depends on product types, target market segments, location of developments and pricing, among others. ALCO views the major property players which are into the middle and high market categories for high-rise residential developments in the vicinity of ALCO's investment properties as direct competition.

Competition can also be present in the procurement of raw materials particularly in a tight supply market. Further, ALCO competes with other property developers for high-caliber sales/leasing agents and brokers.

ALCO believes that given the desirability of the project locations, its strict adherence to quality, innovation and sustainability, its competitive pricing schemes and commitment to its projects even after sales, it will be able to compete effectively.

ALCO considers two (2) direct competition in the high-end residential market segment in terms of relative quality of development and pricing of products – Ayala Land, Inc. and Rockwell Land Corporation. These companies have been in the business many years earlier than ALCO and therefore, have longer track record and financial mileage. These companies are considered to have the greater share of the market at the moment. ALCO intends to primarily capitalize on its niche market of true sustainable developments and doing projects which are unique and special in terms of design, sustainable features and distinct locations. ALCO believes that it has started the ground well in sustainable and luxurious projects being the first company to have a LEED-registered residential project in the country, and intends to continue to provide distinguishing products with better quality at more competitive pricing. ALCO knows it can achieve this given its far less overhead costs, being a relatively leaner organization.

e. Industry Risk

The property development sector is cyclical and is subjected to the Philippine economic, political and business performance. The industry is dependent primarily on consumer spending for housing. In the past years, a significant portion of housing demand is being driven by purchases from the overseas workers' market. This exposes the industry to the economic performance of foreign countries of the overseas workers such as the United States, Saudi Arabia and countries in Europe.

The office market has been largely driven by the business process outsourcing (BPO) sector which caters largely to US and European customers. The BPO industry, organized under the Business Process Association of the Philippines (BPAP), comprises primarily of contact centers, back office operations and medical transcription, among others.

The BPO industry has been experiencing phenomenal growth since the mid-2000. In 2008-2009, however, demand for BPO office space dropped as a result of the global recession which led to a glut in office space and a reduction in rental rates. The industry saw a recovery in 2010 as BPO offices resumed their expansion plans which brought an upward adjustment in rental rates.

Overall, the industry and necessarily, ALCO and its subsidiaries, contend with risks relating to volatility in overseas remittances, interest rates, credit availability, foreign exchange, political developments, costs and supply of construction materials, wages, and changes in national and local laws and regulations governing Philippine real estate and investments. ALCO and its subsidiaries are sensitive to the political and security situations of the country since a portion of its sales comes from both foreign and local investors, and to the performance of overseas remittances and the BPO sectors as these inflows find their way into investments in housing and other real estates.

ALCO has a very rigid credit approval system to ensure that its buyers are financially capable of meeting their payment schedules. It has a committee which evaluates credit worthiness of prospective buyers and regularly monitors the economic performance of the country and global players through internal research and consultations with its property consultants to be able to timely adjust policies on pricing, payment schemes and timing of new project launches.

f. Sources and availability of raw materials

Construction of ALCO's project/s is awarded to qualified reputable construction firms subject to a bidding process and Management's evaluation of contractors' qualifications and satisfactory working relationships. Construction materials, primarily cement and rebars, are normally provided by the contractors as part of their engagement. However, ALCO has the right and may opt to procure owner-supplied construction materials should Management find the same to be more cost-effective for its projects.

g. Advances to Related Parties

In the regular conduct of its business, ALCO and its wholly-owned subsidiaries enter into intercompany transactions, primarily advances necessary to carry out their respective functions subject to liquidation and reimbursements for expenses. ALCO ensures that while these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks, they are fair and treated at arm's length. Intercompany transactions between ALCO and its wholly-owned subsidiaries for the period covered by this Report are discussed in the Audited Financial Statements hereto attached.

h. Patents and Trademarks

ALCO's operations are not dependent on patents, trademarks, copyrights and the like although ALCO sought from the Intellectual Property Philippines and was granted in 2010 the exclusive use of the tradename logos and taglines "ArthaLand" and "Arya Residences".

i. Government approval for principal products or services

ALCO secures various government approvals such as Environmental Compliance Certificates (ECCs), development permits and licenses to sell as part of its normal course of business.

ALCO does not foresee any material or adverse effect of existing and probable government regulations on its business.

j. Cost and Effects of Compliance with Environmental Laws

ALCO complied with all environmental regulatory requirements for both the pre-construction and operational phases of Arya Residences and paid for the imposed dues, the aggregate amount of which is ₱690,000.00.

ALCO goes beyond the mandatory environmental framework, being a member and supporter of the Philippine Green Building Council and US Green Building Council, as well as a partner of the World Wide Fund.

ALCO will definitely be obtaining the requisite government approvals for its subsequent projects based on the projects' timetable for development and pre-selling.

k. Employees

As of 31 December 2013, ALCO had a total of fifty-nine (59) employees consisting of five (5) executives, seven (7) senior managers, eighteen (18) manager, fifteen (15) officers and supervisors (non-management), and fourteen (14) rank and file employees.

As of 31 March 2014, ALCO has a total of sixty (60) employees consisting of seven (7) executives, six (6) senior managers, nineteen (19) manager, fourteen (14) officers and supervisors (non-management), and fourteen (14) rank and file employees.

None of these employees is not covered by a collective bargaining agreement.

It cannot be determined whether additional employees will be hired for the succeeding year but the same will be closely aligned with ALCO's actual and programmed growth.

l. Working Capital

In general, ALCO finances its projects through internally generated funds, loans and support from its major shareholders. The amount spent on development activities and its percentage vis-à-vis ALCO's revenues during the last two (2) fiscal years are reflected and discussed extensively in ALCO's Audited Financial Statements for the period covered by this Report hereto attached.

ITEM 2. Properties

ALCO is the registered owner of a 2,233-square meter property (Lot 5 Block 5)[5] along 5th Avenue within BGC's E-Square, particularly across the street from the proposed Shangri La Hotel. The development plan for this property is mixed-use. This property is presently mortgaged with BDO Unibank., Inc. for a ₱600.0M term loan. ALCO's intention for this property will be launched in the middle of this year.

Manchesterland Properties, Inc., a wholly-owned subsidiary of ALCO, is the registered owner of a 6,357-square meter property (Lot 4 Block 1)[6] along McKinley Parkway on which Arya Residences, ALCO's flagship project, is currently being constructed. ALCO's shareholdings in MPI are presently subject of a lien in favor of Allied Banking Corporation for a ₱600.0M term loan.

Urban Property Holdings, Inc., another wholly-owned subsidiary of ALCO, is the registered owner of a 35-hectare rawland[7] located at the junction of the city limits of Tagaytay City and the provincial boundaries of Laguna and Batangas. The portion of the property lying within the Tagaytay City limits is nestled along the fairway of Tagaytay Highlands Golf and Country Club. Approximately one (1) hectare of this property is subject of an expropriation proceeding, a full disclosure of which is discussed in the succeeding Item.

<u>Operating Lease Commitments as Lessee</u>

ALCO is a lessee under non-cancellable operating leases covering office space and sales. The leases have terms ranging from three (3) to five (5) years with renewal options and provisions for escalation.

The future minimum rental payables under these non-cancellable operating leases are as follows:

	2013	2012	2011
Within one (1) year	**₱13,104,432**	₱7,776,987	₱7,294,381

[5] FAR 15.4, GFA 34,380m^2

[6] FAR 12, GFA 76,284 m^2

[7] The carrying value of this property amounts to ₱149.80M as of 31 December 2010 and 2009. Based on the appraisal report dated 28 February 2011, the fair value of the land amounted to ₱282.0M.

After one (1) year but not more than five years	**9,918,733**	4,129,230	15,183,741
	₱23,023,165	₱11,906,217	₱22,478,122

The total rental expense recognized from these operating leases amounted to ₱19.40MM, ₱13.10MM and ₱11.10MM in 2013, 2012 and 2011, respectively[8].

Operating Lease Commitments as Lessor

ALCO is the lessor under cancellable operating leases with Ayala Property Management Corporation covering parking space. The lease term shall be for an indefinite period of time until either party terminates the agreement by giving at least thirty (30) days prior written notice to the other party.

The rent is seventy percent (70%) of the net operating income of the parking operations in the leased premises per one (1) month period, exclusive of value added tax.

The total rental income recognized from this operating lease amounted to ₱2.90MM, ₱3.80MM and ₱3.10MM in 2013, 2012 and 2011, respectively.

ITEM 3. Legal Proceedings

As of the date of this Report, with the exception of the following cases, neither ALCO nor any of its subsidiaries is a party to any legal action arising from the ordinary course of its respective business:

1. **Labor**

   ALCO was a respondent in a labor case filed on 28 August 2012 by Ms. Carmela D. Siojo, a former sales agent, allegedly for illegal dismissal. On 26 April 2013, the Labor Arbiter dismissed the complaint for lack of jurisdiction as no employer-employee relationship exists between the parties. The National Labor Relations Commission dismissed the appeal in a Decision dated 25 July 2013 and affirmed the Labor Arbiter's Decision. An Entry of Judgment was issued on 21 October 2013.

2. **Quieting of Title**

   On 18 October 2010, Urban Property Holdings, Inc. filed a complaint for quieting of title, among other reliefs, before the Regional Trial Court of Calamba, Laguna, Branch 36 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property. Trial is on-going.

3. **Expropriation**

   A portion of UPHI's property with an area of about one (1) hectare is the subject of an expropriation proceeding filed by the National Power Corporation (NAPOCOR) in February 1998 and is pending before the Regional Trial Court of Calamba, Laguna, Branch 34, for final resolution on the amount to be paid by NAPOCOR. NAPOCOR had erected a tower thereon to form part of the Tayabas-Dasmarinas Line Project.

[8] Note 15 of ALCO's Audited Financial Statements for the period covered by this Report hereto attached.

The potential effect of the foregoing cases on the financial statements of ALCO and its subsidiaries cannot be determined at the moment. However, it is believed that the effect thereof, if there is any, is not significant.

ITEM 4. Submission of Matters to a Vote of Security Holders

Other than electing the members of the Board of Directors for the year 2013-2014 to hold office as such and until their respective successors are duly nominated, elected and qualified, there was no other matter submitted to a vote of the stockholders of ALCO during the Annual Stockholders' Meeting held on 28 June 2013 or at any time thereafter until the date of this Report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Issuer's Common Equity and Related Stockholder Matters

a. Market Information

ALCO's common shares are traded in the Philippine Stock Exchange. On 24 May 2007, ALCO sought the voluntary suspension of trading of its shares until such time as the SEC approves its capital reorganization and the listing of its additional shares in the Exchange. The suspension was lifted on 08 January 2009.

The following are the highlights of quarterly trading for the periods of 2012-2013 and the first quarter of 2014:

	2014			**2013**			**2012**		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	0.2430	0.1870	0.1950	0.2300	0.1849	0.2100	0.1940	0.1620	0.1900
2	- 0 -	- 0 -	- 0 -	0.2220	0.1910	0.2120	0.1920	0.1620	0.1710
3	- 0 -	- 0 -	- 0 -	0.2200	0.1920	0.2000	0.1900	0.1700	0.1700
4	- 0 -	- 0 -	- 0 -	0.2100	0.1870	0.1930	0.1850	0.1680	0.1780

b. Security Holders

ALCO Common shares outstanding are 5,318,095,199.

The number of shareholders of record as of 31 December 2013 is 2,070 and ALCO's public ownership percentage is 25.8641%.

The number of shareholders of record as of 31 March 2014 is 2,063 but ALCO's public ownership percentage remains at 25.8641%.

Article Seventh of ALCO's Articles of Incorporation provides that ALCO's common shares of stock are not subject to pre-emptive rights of the stockholders and may therefore be issued in such quantities at such times as the Board of Directors may determine. Article Tenth also provides that no issuance or transfer of shares of stock shall be allowed if it will reduce the ownership of Filipino citizens to less than the percentage required by law.

ALCO's top 20 stockholders as of 31 December 2013 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	1,800,000,000	33.8467
2. AO Capital Holdings I	1,383,730,000	26.0193
3. PCD Nominee Corporation – Filipino	783,676,907	14.7360
4. Nanlong Investment Limited	342,619,910	6.4425
5. Edimax Investment Limited	296,460,000	5.5746
6. Viplus Investment Limited	247,899,874	4.6614
7. Elite Holdings, Inc.	119,809,996	2.2529
8. Kinstar Investment Limited	94,720,035	1.7811
9. PCD Nominee Corporation – Non-Filipino	39,810,156	0.7486
10. The First Resources Mgt. And Sec. Corp.	37,500,000	0.7051
11. Keng, Tina	25,000,000	0.4701
12. Bartolome, Rosario	15,231,750	0.2864
13. EQL Properties, Inc.	14,671,125	0.2759
14. Urban Bank Trust Department – A/C No. 625	4,838,488	0.0910
15. RBL Fishing Corporation	4,350,000	0.0818
16. Reyes, Veronica D.	3,799,272	0.0714
17. Bartolome, Aurelio Paulo R.	2,922,500	0.0550
18. Lou, Washington M.	2,827,500	0.0532
19. Reyes, Veronica D. and/or Cecilia D. Reyes	2,654,061	0.0499
20. Huang, Theodore and/or Corazon B. Huang	2,501,250	0.0470
TOTAL	5,225,022,824	98.2499

ALCO's top 20 stockholders as of 31 March 2014 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	1,800,000,000	33.8467
2. AO Capital Holdings I	1,383,730,000	26.0193
3. PCD Nominee Corporation – Filipino	813,821,954	15.3029
4. Nanlong Investment Limited	342,619,910	6.4425
5. Edimax Investment Limited	296,460,000	5.5746
6. Viplus Investment Limited	247,899,874	4.6614
7. Elite Holdings, Inc.	119,809,996	2.2529
8. Kinstar Investment Limited	94,720,035	1.7811
9. The First Resources Mgt. And Sec. Corp.	37,500,000	0.7051
10. Keng, Tina	25,000,000	0.4701
11. Bartolome, Rosario	15,231,750	0.2864
12. EQL Properties, Inc.	14,671,125	0.2759
13. PCD Nominee Corporation – Non-Filipino	7,127,656	0.1340
14. Primesolutions and Consultancy, Inc.	5,120,000	0.0963
15. Urban Bank Trust Department – A/C No. 625	4,838,488	0.0910
16. RBL Fishing Corporation	4,350,000	0.0818
17. Reyes, Veronica D.	3,799,272	0.0714
18. Bartolome, Aurelio Paulo R.	2,922,500	0.0550
19. Lou, Washington M.	2,827,500	0.0532
20. Reyes, Veronica D. and/or Cecilia D. Reyes	2,654,061	0.0499
TOTAL	5,225,104,121	98.2514

c. Dividends

There were no dividends declared in 2012.

During the Organizational meeting held on 28 June 2013, the Board of Directors approved the declaration of cash dividends to all stockholders of record as of 26 July 2013 in the amount of ₱0.012 per common share, or the total amount of ₱63,817,142.00. The cash dividends were paid out on 22 August 2013.

In its meeting held on 10 March 2014, the Board of Directors also approved the declaration of regular and special cash dividends to all stockholders of record as of 28 March 2014 in the amounts of ₱0.012 and ₱0.024, respectively, or a total of ₱0.036 per common share[9]. The cash dividends will be paid out on 22 April 2014.

Whether ALCO still plans to declare dividends within the next twelve (12) months is uncertain but the same shall be subject to Section 2, Article VII of ALCO's By-laws which provides, as follows:

> "Dividends shall be declared from the unrestricted retained earnings of the Corporation, including stock dividends from paid-in surplus, at such time and in such amounts as the Board of Directors may determine. Dividend declarations shall not in any manner reduce the paid-in capital of the Corporation. Unless otherwise resolved by the Board of Directors, a fraction of one-half or more of a share owing to a stockholder resulting from a declaration of stock dividends shall be issued as one full share, while a fraction of less than one-half share shall be disregarded.
>
> "Declaration of stock dividends shall be submitted to a stockholders' meeting for approval within forty (40) business days from such approval by the Board of Directors. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.
>
> "Declaration of cash dividends shall have a record date which shall not be less than ten (10) business days but not more than thirty (30) business days from the date of declaration by the Board of Directors."

d. Recent Sales of Unregistered or Exempt Securities

There are no recent sales of unregistered or exempt shares of ALCO.

ITEM 6. Management's Discussion and Analysis or Plan of Operation

Within the medium term horizon, management foresees a sustained positive operating performance. This will come from the remaining unrecognized revenues of Arya Residences Tower 1 which is scheduled for turnover to its buyer beginning the first quarter of 2014. Additionally, revenues from the sales of units of Arya Residences Tower 2 started to lift ALCO's bottom line figures and will continue to do so until the estimated date of turnover thereof in first quarter of 2016.

To further ensure the continuity of inventory pipeline, extensive but cautious initiatives with

[9] The total amount of cash dividends declared is ₱191,451,427.00.

various landowners are being undertaken to pursue land banking opportunities.

Mindful of a long-term financial perspective, ALCO is set to launch by mid of 2014 a top-end office condominium project scheduled to be operational in the early part of 2017. This is expected to provide operating cushion and long-term recurring income.

Management will continue to be very prudent in handling ALCO's resources while providing optimal return to all its stakeholders.

FINANCIAL POSITION
December 31, 2013 vs. December 31, 2012

	Dec. 31 2013	Dec. 31 2012	Change
Cash and cash equivalents	**574,608,266**	335,727,042	71%
Trade and other receivables	**1,416,114,777**	801,278,453	77%
Real estate for sale	**1,388,489,169**	1,554,389,856	-11%
Investment properties	**681,139,343**	645,556,744	6%
Property and equipment	**45,536,253**	24,251,797	88%
Deferred tax assets - net	**43,739,108**	82,483,297	-47%
Other assets	**204,693,708**	196,224,071	4%
Total Assets	**4,354,320,624**	3,639,911,260	20%
Loans payable	**1,769,861,911**	1,503,210,516	18%
Accounts payable and other liabilities	**997,255,035**	796,460,145	25%
Retirement benefit obligation	**23,532,523**	14,986,602	57%
Total Liabilities	**2,790,649,469**	2,314,657,263	21%
Capital stock	**850,786,496**	830,181,736	2%
Additional paid-in capital	**54,575,400**	54,575,400	0%
Retained earnings	**656,252,442**	437,049,725	50%
Accumulated unrealized actuarial gains	**2,056,817**	3,447,136	-40%
Total Equity	**1,563,671,155**	1,325,253,997	18%
Total Liabilities And Equity	**4,354,320,624**	3,639,911,260	20%

Financial Condition as of December 31, 2013 compared to as of December 31, 2012

ALCO's total resources as of December 31, 2013 was at ₱4.35 billion, or about 20% higher than the December 31, 2012 level of ₱3.6 billion due to the following:

*71% Increase in Cash and Cash Equivalen*ts
The increase was mainly due to collections from Tower 1 accounts due for turn-over to buyers, cash collection from Tower 2 buyers and cash proceeds from financing activities.

77% Increase Trade and Other Receivables
The significant increase was due to recognition of Tower 2 sales starting 2013. The recognition is based on the percentage of completion method.

11% Decrease in Real Estate for Sale
The decrease was mainly attributable to amount charged to cost of sales corresponding to recognized revenues based on percentage of completion method.

6% Increase in Investment Properties
The increase pertains to initial planning costs incurred for the company's lot in Bonifacio Global City.

88% Increase in Property and Equipment
The increase was mainly due to the cost of new computer software acquired as part of the company's efforts to enhance operational efficiency.

47% Decrease in Deferred Tax Assets - net
The decrease was due to partial application of deferred tax assets against the current year's tax liability.

4% Increase in Other Assets
The increase was primarily due to additional creditable withholding taxes remitted during the year.

18% Increase in Loans Payable
The increase was due to financing activities undertaken by the company during the year.

25% Increase in Accounts payable and Other Liabilities
The increase was attributable to higher monthly progress billings from contractors as a result of simultaneous development of Arya Residences Towers 1 and 2 in 2013. Progress billings are normally settled within a thirty-day period.

57% Increase in Retirement Benefit Obligation
The increase was due to additional provisions for the year to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

50% Increase in Retained Earnings
The increase comes from the year's net income less cash dividends paid in August of 2013.

40% Decrease in Accumulated Unrealized Actuarial Gains
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

FINANCIAL POSITION
December 31 2012 vs. January 1, 2012

	Dec. 31 2012	Jan. 1 2012	Change
Cash and cash equivalents	**335,727,042**	160,920,587	109%
Trade and other receivables	**801,278,453**	286,787,941	179%
Real estate for sale	**1,554,389,856**	2,096,649,159	-26%

Investment properties	**645,556,744**	645,556,744	0%
Property and equipment	**24,251,797**	31,259,790	-22%
Deferred tax assets – net	**82,483,297**	96,523,140	-15%
Other assets	**196,224,071**	155,606,812	26%
Total Assets	**3,639,911,260**	3,473,304,173	5%
Loans payable	**1,503,210,516**	1,639,765,210	-8%
Accounts payable and other liabilities	**796,460,145**	763,237,364	4%
Retirement benefit obligation	**14,986,602**	14,142,082	6%
Total Liabilities	**2,314,657,263**	2,417,144,656	-4%
Capital stock	**830,181,736**	830,181,736	0%
Additional paid-in capital	**54,575,400**	54,575,400	0%
Retained earnings	**437,049,725**	171,055,768	156%
Accumulated unrealized actuarial gains	**3,447,136**	346,613	895%
Total Equity	**1,325,253,997**	1,056,159,517	25%
Total Liabilities And Equity	**3,639,911,260**	3,473,304,173	5%

ALCO's total resources as of December 31, 2012 was at ₱3.6 billion, or about 5% higher than the January 1, 2011 level of ₱3.5 billion due to the following:

*109% Increase in Cash and Cash Equivalen*ts
The increase was mainly attributable to collections made on receivables and proceeds from the sale of a subsidiary, IRMO, Inc. in 2012.

179% Increase Trade and Other Receivables
The significant increase was due to additional sales take-up and higher percentage of completion of the project.

26% Decrease in Real Estate for Sale
The decrease was mainly attributable to the sale of lot in Bonifacio Global City.

22% Decrease in Property and Equipment
The decrease was due to regular provision for depreciation.

15% Decrease in Deferred Tax Assets - net
The decrease was due to partial application of deferred tax assets against the current year's tax liability.
26% Increase in Other Assets
The increase was primarily due to additional creditable withholding taxes remitted and input taxes, coming mainly from construction costs, paid during the year.

8% Decrease in Loans Payable
The decrease was due to pre-payment of a certain bank loans in 2012.

6% Increase in Retirement Benefit Obligation
The increase was due to additional provision for the year.

156% Increase in Retained Earnings
The increase represents the net income for the year.

895% Increase in Accumulated Unrealized Actuarial Gains
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

RESULTS OF OPERATIONS
December 31, 2013 vs. December 31, 2012

	Dec. 31 2013	Dec. 31 2012	Change
Revenue From Real Estate Sales	**2,332,118,302**	1,453,263,809	60%
Cost Of Real Estate Sold	**1,540,944,867**	1,167,802,556	32%
Gross Income	**791,173,435**	285,461,253	177%
Administrative expenses	**236,860,488**	203,410,797	16%
Selling and marketing expenses	**131,746,565**	100,468,319	31%
Operating Expenses	**368,607,053**	303,879,116	21%
Loss From Operations	**422,566,382**	(18,417,863)	-2394%
Finance Costs	**(78,299,685)**	(71,275,593)	10%
Other Income - Net	**18,342,033**	413,027,859	-96%
Income (Loss) Before Income Tax	**362,608,730**	323,334,403	12%
Income Tax Expense (Benefit)	**79,588,871**	57,340,446	39%
Net Income	**283,019,859**	265,993,957	6%
Other Comprehensive Income			
Change in actuarial gain (loss) - Net of tax	**(1,390,319)**	3,100,523	-145%
Total Comprehensive Income	**281,629,540**	269,094,480	5%

60% Increase in Revenue from Real Estate Sales
The increase is mainly due to the start of revenue recognition for Tower 2 and completion of Tower 1. Revenues are recognized using the percentage of completion method.

32% Increase in Cost of Real Estate Sold
The increase was due to recognition of additional costs corresponding to the realized revenues under the percentage of completion method.

16% Increase in Administrative Expenses
The increase is mainly due to higher depreciation and amortization expenses, and

manpower related costs.

31% Increase in Selling and Marketing Expenses
Bulk of the increase in these accounts is attributable to sales commission incurred for the year.

10% Increase in Finance Costs
The increase was due to higher level of financing activities in 2013 compared with the 2012 level.

96% Decrease in Other Income - net
The high level of other income in 2012 was a result of one-time transaction, i.e., sale of a subsidiary and lot in BGC. There was no similar transaction in 2013.

39% Increase in Income Tax Expense
The significant increase is due to higher taxable income during the year.

145% Decrease in Change in Actuarial Gain (Loss) - net of tax
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

RESULTS OF OPERATIONS
2012 vs. 2011

	Dec. 31 2012	Dec. 31 2011	Change
Revenue From Real Estate Sales	1,453,263,809	473,401,834	207%
Cost Of Real Estate Sold	1,167,802,556	310,861,192	276%
Gross Income	285,461,253	162,540,642	76%
Administrative expenses	203,410,797	171,699,656	18%
Selling and marketing expenses	100,468,319	52,839,356	90%
Operating Expenses	303,879,116	224,539,012	35%
Loss From Operations	(18,417,863)	(61,998,370)	-70%
Finance Costs	(71,275,593)	(225,734,141)	-68%
Other Income - Net	413,027,859	204,737,698	102%
Income (Loss) Before Income Tax	323,334,403	(82,994,813)	-490%
Income Tax Expense (Benefit)	57,340,446	(89,921,153)	164%
Net Income	265,993,957	6,926,340	3740%
OTHER COMPREHENSIVE INCOME			

Change in actuarial gain (loss) - Net of tax	3,100,523	346,613	795%%
TOTAL COMPREHENSIVE INCOME	269,094,480	7,272,953	3600%

Results of Operations for the year ended December 31, 2012 compared to the year ended December 31, 2011.

207% Increase in Revenue from Real Estate Sales
The increase is attributable to additional sales take-up and construction progress during the year.

276% Increase in Cost of Real Estate Sold
The increase was due to recognition of additional costs corresponding to the realized revenues under the percentage of completion method.

18% Increase in Administrative Expenses
The increase is mainly due to payroll-related expenses resulting from additional personnel to support the operations.

90% Increase in Selling and Marketing Expenses
The increase is due to heightened sales and marketing activities.

68% Decrease in Finance Costs
The decrease is attributable to the lower level of interest bearing liabilities and interest rates in 2012 compared with that of prior year.

102% Increase in Other Income - net
The increase is primarily attributable to the gain on the sale of ALCO's interest in its wholly owned subsidiary, IRMO, Inc.

164% Increase in Income Tax Expense
The significant increase is due to higher taxable income during the year.

795% increase in actuarial gain
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

FINANCIAL RATIO

	December 2013	December 2012	December 2011
Current/Liquidity Ratio (Current Assets over Current Liabilities)	**1.88:1**	1.89:1	3.98:1
Solvency Ratio (Net income (Loss) before depreciation over total liabilities)	**0.11:1**	0.12:1	0.01:1
Debt-to-equity Ratio (Total debt to total equity)	**1.78:1**	1.75:1	2.29:1

Asset-to-equity Ratio (Total assets over total equity)	**2.78:1**	2.75:1	3.29:1
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	**5.63:1**	5.54:1	0.63:1
Profitability Ratio* (Net income over total equity)	**0.18:1**	0.20:1	0.01:1

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

There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

Except for the development costs of Arya Residences, an on-going project of ALCO, there is no other material commitments for capital expenditures as of the period covered by the Report.

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 revenue or income from continuing operations.

There is no foreseen event that will cause a material change in the relationship between costs and revenues.

ITEM 7. Financial Statements

ALCO's consolidated financial statements for the period ended as of 31 December 2013 were audited by Reyes Tacandong & Co., the details of which are stated below:

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	PHINMA Plaza, 39 Plaza Drive Rockwell Center 1200 Makati City
Certifying Partner	:	Ms. Carolina P. Angeles
C.P.A. Reg. No.	:	86981
TIN No.	:	205-067-976-000
PTR No.	:	4232810 issued on 02 January 2014 at Makati City
SEC Accreditation No.	:	Partner – No. 0658-AR-1 Group A (Valid until 30 March 2014)
BIR Accreditation No.	:	08-005144-7-2013 (Valid until 26 November 2016)

- 0 -

ALCO's consolidated financial statements for the period ended as of 31 December 2013 is incorporated herein by reference and hereto attached.

- 0 -

ITEM 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Article V of ALCO's By-laws provides, among others, that the External Auditor shall be appointed by its Board of Directors and shall receive such compensation or fee as may be determined by the Chairman or such other officer(s) as the Board of Directors may authorize.

Punongbayan & Araullo (P&A) was appointed as ALCO's external auditor for 2009, 2010, and 2011. ALCO has not had any disagreement with P&A.

Reyes Tacandong & Co. (RT&Co) was appointed as ALCO's external auditor for 2012 and 2013 and is seeking reappointment as such for the period ended as of 31 December 2014 during ALCO's Annual Stockholders' Meeting.

Fees and Other Arrangements

The external auditor's fees are based on the estimated time that would be spent on an engagement and ALCO is charged at hourly rates vis-à-vis the experience level of the professional staff members who will be assigned to work on the engagement. Fees are also generally based on the complexity of the issues involved and the work to be performed, as well as the special skills required to complete the work.

The audit fees of P&A are ₱550,000.00 for 2011, ₱400,000.00 for 2010, and ₱270,000.00 for 2009. These fees are exclusive of VAT.

The audit fees of RT&Co are ₱500,000.00 for 2012 and ₱550,000.00 for 2013, both of which are exclusive of VAT.

The audit fees of RT&Co for services rendered to ALCO's subsidiaries are as follows:

	2012	2013
Cazneau Inc.	₱50,000.00	₱60,000.00
Emera Property Management, Inc.	₱50,000.00	₱60,000.00
Manchesterland Properties, Inc.	₱50,000.00	₱70,000.00
Urban Property Holdings, Inc.	₱50,000.00	₱60,000.00

RT&Co did not charge ALCO for non-audit work either in 2012 or 2013.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. Directors, including Independent Directors, and Executive Officers

a. Incumbent Directors and Positions Held/Business Experience for the Past Five (5) Years

The following were elected during the Annual Stockholders' Meeting held on 28 June 2013 for the term 2013-2014 and until their successors shall have been elected and qualified in accordance with the By-laws of ALCO:

Name of Director	Directorship	Date of First Appointment	Age
Angela de Villa Lacson	Regular	14 March 2008	68
Jaime C. Gonzalez	Regular	21 May 2007	68
Jaime Enrique Y. Gonzalez	Regular	24 June 2011	38
Christopher Paulus Nicolas T. Po	Regular	24 June 2011	43
Ricardo Gabriel T. Po, Jr.	Regular	28 March 2012	46
Ricardo S. Po, Sr.	Regular	25-26 April 2011	83
Srinivas Polishetty	Regular	28 June 2013	49
Ernest K. Cuyegkeng	Independent	21 May 2007	67
Fernan Victor P. Lukban	Independent	25-26 April 2011	53

Angela de Villa-Lacson, Filipino, grew the ALCO organization from its inception in 2008 to what it is today, a dedicated and committed 59 or so permanent and 34 contractual employees. Responsible for drawing up the future proof mission and vision of the company closely adhering to the principles of being responsive to its shareholders and its stakeholders, she has established ALCO's flagship high-end project, Arya Residences, as a residential benchmark for sustainable practices in the construction and design industry. Ms. Lacson came from a successful stint with Ayala Land, Inc. (ALI) where she led the growth of the Residential Business of the company to account for more than half of the revenues thereof. While in ALI, she led various high-end residential developments, some low-rise developments, and the development of the new communities in the South. Concurrent to her position in ALI as head of Ayala Land Premier, she started and grew its subsidiary, Community Innovations, Inc. (CII), now Alveo, the company that addresses the needs of the upper-mid market. She also headed the Innovation and Design Group of ALI. This group leads the design, master planning and development of various communities of ALI in residential high-rise, gated villages, commercial buildings, BPO campuses and retail, while concurrently heading the Ayala Museum. Prior to joining ALI, she was marketing director of San Miguel Corporation (Beer and Foods) and headed various marketing groups of Unilever, both here and in Europe.

Jaime C. Gonzalez, Filipino, is a graduate of Harvard Business School (MBA) and of De La Salle University in Manila, B.A. in Economics (*cum laude*) and B.S. in Commerce (*cum laude*). He is the founder and the Chairman & Chief Executive Officer of AO Capital Partners, a financial and investment advisory firm with headquarters in Hong Kong. He is presently a member of the Board of Directors of a number of companies, including Chairman of IP Ventures Inc. (which is involved in information technology and new media, retail/food & beverage, natural resources, and real estate and resort development).

Jaime Enrique Y. Gonzalez, Filipino, is currently the CEO of IP Ventures Inc., a leading investor and operator of Technology, Media and Telecom ("TMT") businesses in the Philippines and Southeast Asia with over US$100M in investments and deals. He is also the founder of IPVG Corp., Egames, and IP-Converge, Inc., which all listed on the Philippine Stock Exchange. He has a successful track record in M&A including notable deals such as PCCW Teleservices Philippines (sold to PCCW of HK), Prolexic Technologies (sold to Kennet Partners and eventually Akamai for over US$300M), and Level-up Games (sold to Asiasoft). Mr. Jaime Enrique Y. Gonzalez is presently a partner in the Kaikaku Fund (a Softbank led fund), a venture capital and private equity fund focused on investment into consumer facing companies that have demonstrated a track record and further growth potential. He holds a Bachelor of Arts degree in International Politics and Economics from Middlebury College, attended the program for Masters in Entrepreneurship at the Asian Institute of Management, and completed Business courses from Sophia University in Tokyo. He has completed the Owner-President Management program at Harvard Business School. He was selected as IT executive of the year in 2008 and a finalist for the Ernst & Young Entrepreneur of the Year 2011 (Master Entrepreneur Category). He is also part of the Young Presidents Organization and on the Board of Trustees of Asia Society Philippines.

Christopher Paulus Nicolas T. Po, Filipino, is the President and Chief Executive Officer of the Century Pacific Group of Companies. Prior to this, he was Managing Director for Guggenheim Partners. He graduated from Wharton School and the College of Engineering of the University of Pennsylvania with dual degrees in Economics (Finance Concentration) and Applied Science (Systems Engineering), respectively. He holds a Masters degree in Business Administration from the Harvard University Graduate School of Business Administration.

Ricardo Gabriel T. Po, Jr., Filipino, is currently the Vice Chairman of Century Pacific Group. He graduated *magna cum laude* from Boston University, Massachusetts, USA with a Bachelor of Science degree in Business Management. He also completed the Executive Program (Owner-President Management Program) at Harvard Business School in 2001. From 1990-2006, Mr. Po, Jr. was the Executive Vice President and Chief Operating Officer of the Century Pacific Group of Companies.

Ricardo S. Po, Sr., Filipino, is the Founder and Chairman of the Century Pacific Group of Companies, one of the largest canned food companies in the Philippines which manufactures and markets several popular consumer brands such as Century Tuna, Argentina Corned Beef, 555 Sardines, Angel Milk and Birch Tree Milk. He is also the Chairman of the CPG-RSP Foundation whose main advocacies include nutrition and hunger alleviation as well as education. Mr. Po, Sr. was awarded Masters in Business Administration by the University of Santo Tomas in 2005.

Srinivas Polishetty, Indian, is Managing Director of AO Capital Partners. Prior to joining AO Capital, he worked as a regional research analyst covering Asian utilities for a major stock brokerage house and as a deputy director for a leading Indian oil and gas firm. His experience includes corporate finance and project finance work in various sectors, including information technology, business process outsourcing, real estate, infrastructure, manufacturing and pharmaceuticals. Mr. Polishetty received his MBA from the Asian Institute of Management and McGill University. He is also a Chemical Engineering graduate from the Indian Institute of Technology.

Ernest K. Cuyegkeng, Filipino, is presently the Executive Vice President/Chief Financial Officer and Director of A. Soriano Corporation. His other concurrent positions include being the President and Director of Phelps Dodge Philippines International, and a Director of Seven Seas Resorts & Leisure, Inc., Prople Inc., Cirrus Global, Inc., KSA Realty, TO Insurance, Sumifru Singapore and Sumifru Philippines, Phelps Dodge International (Thailand) Limited, and Atlantic Gulf and Pacific Company. He is also a Trustee of Andres Soriano Foundation and is a member of the Makati Business Club, Management Association of the Philippines and

Financial Executive Institute of the Philippines. He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Business Administration, both from the De La Salle University. He also obtained a Masters degree in Business Administration from the Columbia Graduate School of Business in New York.

Fernan Victor P. Lukban, Filipino, is one of the country's leading consultants in Family Business, Strategy, Entrepreneurship and Governance. He is a long-time advisor to some of the most progressive family businesses in the country. Since 2009, he has put special focus on developing Base of the Pyramid initiatives (BOPI) in various provinces in the Philippines. Mr. Lukban holds undergraduate degrees in Engineering (Mechanical and Industrial from De LaSalle University, Manila) and graduate degrees in Economics (MSc in Industrial Economics from the Center for Research & Communication, now University of Asia & the Pacific, Manila) and in Business (MBA from IESE, Barcelona, Spain). He spent much of his early professional years in the academe helping establish and grow the University of Asia & the Pacific where he still participates as a consultant, mentor and guest lecturer today. He is a founding fellow of the Institute of Corporate Directors and an International Fellow of the Australian Institute of Company Directors.

Term of Office

The Board of Directors is composed of nine (9) members who are generally elected at an annual stockholders' meeting, and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders meeting and have qualified in accordance with the By-laws of ALCO. The above incumbent directors of ALCO shall hold office until their successors are elected.

b. Corporate and Executive Officers and Positions Held/Business Experience for the Past Five (5) Years

The following are ALCO's principal corporate officers as of 31 December 2013:

Chairman of the Board	Ernest K. Cuyegkeng
Vice Chairman	Ricardo S. Po, Sr.
President	Angela de Villa Lacson
Treasurer	Leonardo Arthur T. Po
Corporate Secretary	Atty. Daisy P. Arce
Assistant Corporate Secretary/ Corporate Information Officer	Atty. Riva Khristine V. Maala
Compliance Officer	Srinivas Polishetty

Leonardo Arthur T. Po, Filipino, is an Executive Director of the Century Pacific Group of Companies and the General Manager for its Emerging Business Units. He is also an independent director of IPVG Corp. at present. Mr. Leonardo Po graduated *magna cum laude* from Boston University with a degree in Business Administration and has extensive and solid business experience in the marketing and operations of quick-serve restaurants, food service and fast moving consumer goods.

Daisy P. Arce, Filipino, holds a Bachelor of Laws degree from the Ateneo de Manila University. She was a partner at Quasha Ancheta Peña & Nolasco Law Offices and now has her own practice.

Riva Khristine V. Maala holds a Bachelor of Arts degree in Philosophy (*cum laude*) and a Bachelor of Laws degree, both from the University of the Philippines. She was formerly an Associate Attorney of Fortun Narvasa and Salazar Law Offices before joining the banking industry. On 01 October 2012, Atty. Maala was appointed as ALCO's Head of Legal Affairs and Investor Relations.

Term of Office:

The corporate officers of ALCO are appointed/elected by the Board of Directors at the organizational meeting following the stockholders' meeting for a term of one (1) year and until their successors are appointed/elected and have qualified in accordance with the By-laws of ALCO.

c. Significant Employees

Other than the above-named directors and corporate officers, the following are significant or key personnel of ALCO who are expected to make a significant contribution to its business:

Ninalyn S. Cordero, Filipino, is the Head of Project and Business Development. She brings in twenty-five (25) years of experience in corporate finance, investment banking and business development. She has over ten (10) years of experience with a leading investment house as Vice President for Capital Markets. Prior to joining ALCO, she held a key position in Rockwell as Assistant Vice President handling business development in charge of research, product development and project conceptualization of new business and projects. She handled the business development of One Rockwell, the land acquisition of The Grove and the joint venture on the Rockwell Business Center.

Gabriel I. Paulino, Filipino, is the Head of Technical Services. He has over thirty (30) years of professional experience in architectural practice. He was formerly the Assistant Vice President for Design and Planning at Rockwell Land Corporation and managed Edades Towers, The Grove, One Rockwell, Joya and the Powerplant Mall. Prior to Rockwell, he was a Senior Associate of Recio + Casas. He was also involved in the Pacific Plaza Towers (Makati and Fort Bonifacio), Manansala at Rockwell, LKG Tower and Salcedo Park.

Ponciano S. Carreon, Jr., Filipino, is the Chief Finance Officer. He is a graduate of San Beda College (*cum laude*) and is a CPA board examination placer. Prior to joining ALCO, he was the CFO of CB Richard Ellis Philippines and has worked with SM Development Corporation as Assistant Vice President for Controllership and with Crown Asia Properties, Inc. (a subsidiary of Vistaland) as Controller. He also brings with him solid banking experience as a certified treasury professional, bank controller and bank audit head.

Oliver L. Chan, Filipino, is the Head of Sales Operations. He is a licensed mechanical engineer who obtained his degree from the University of Santo Tomas. Prior to joining ALCO, he was the Property Manager of Ayala Property Management

Corporation who handled the operations of Ayala Land Inc.'s premiere retail and recreation centers, namely, the Greenbelt complex, Ayala Museum, San Antonio Plaza in Forbes Park and the retail spaces at The Residences at Greenbelt. Because of his strong customer service background, he is concurrently General Manager of Emera Property Management, Inc., the property management arm of ALCO not only for its flagship project, Arya Residences, but for all its development projects.

d. Family Relationship

With the exception of Vice Chairman Ricardo S. Po, Sr. and his sons Ricardo Gabriel T. Po, Christopher Paulus Nicolas T. Po and Leonardo Arthur T. Po, and Jaime C. Gonzalez and his son Jaime Enrique Y. Gonzalez, the above-mentioned incumbent directors and executive officers of ALCO are not related to each other, either by consanguinity or affinity.

e. Involvement in Certain Legal Proceedings

The above-named directors and corporate/executive officers of ALCO have not been involved during the past five (5) years up to the date of this Report in any bankruptcy proceeding or any proceeding involving a violation of securities or commodities laws or regulations, nor have they been convicted in a criminal proceeding. Neither has there been any order or judgment enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities.

ITEM 10. Compensation of Directors and Executive Officers

a. Compensation of Directors and Executive Officers

Section 10, Article III of ALCO's By-laws provides that the "Board of Directors is empowered and authorized to fix and determine the compensation of its members, including profit sharing and other incentives, subject to the limitations imposed by law." Pursuant to this provision, to compensate the members of the Board, a per diem of ₱7,500.00 is given to each director for each board of director's meeting (special or regular) attended. Each director is also paid a per diem of ₱2,500.00 for each committee meeting he attends, of which he is a member. These committees are the Executive Committee, the Audit Committee, the Stock Option and Compensation Committee and the Nomination Committee.

Below are the committee memberships of ALCO's Directors:

Audit Committee	Ernest K. Cuyegkeng, Chairman Fernan Victor P. Lukban Ricardo Gabriel T. Po Srinivas Polishetty
Stock Option and Compensation Committee	Jaime C. Gonzalez, Chairman Angela de Villa Lacson, Vice Chair Fernan Victor P. Lukban Srinivas Polishetty
Nomination Committee	Jaime C. Gonzalez, Chairman

	Ricardo S. Po, Sr. Ernest K. Cuyegkeng
Executive Committee[10]	Ernest K. Cuyegkeng, Chairman Jaime C. Gonzalez, Vice Chairman Ricardo S. Po, Sr., Vice Chairman Angela de Villa-Lacson Jaime Enrique Y. Gonzalez Leonardo Arthur T. Po Christopher Paulus Nicolas T. Po

Section 7, Article IV, in turn, provides that the "Chairman, or such other officer(s) as the Board of Directors may authorize, shall determine the compensation of all the officers and employees of the Corporation. xxx"

2012

	Salary[11]	Bonus	Others
Directors and Executives	₱31.0M	N/A	None
Officers (As a group unnamed)	₱7.0M	N/A	None

2013

	Salary[12]	Bonus	Others
Directors and Executives[13]	₱39.8M	₱3.5M	None
Officers (As a group unnamed)	₱7.5M	None	None

Estimated Compensation for 2014 (Collective)

	Salary[14]	Bonus	Others
Directors and Executives Officers (As a group unnamed)	₱52.3M	None[15]	None

b. Standard Arrangement/Material Terms of Any Other Arrangement/Terms and Conditions of Employment Contract with Above Named Corporate/Executive Officers

In ALCO's annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote approved the 2009 ALCO Stock Option Plan. The total amount of shares which are available and may be issued for this purpose

[10] The By-laws provides that the Executive Committee shall be composed of the Chairman of the Board, the President, the Chief Finance Officer and such other officers of the Corporation as may be appointed by the Board of Directors. Members of this Committee who are non-directors are Mr. Ponciano S. Carreon, Jr. and Ms. Ninalyn S. Cordero.
[11] Rounded-off.
[12] *Ibid*.
[13] In addition to the President and CEO, the four (4) highest paid executive officers of ALCO are the following:

i. Treasurer
ii. Chief Finance Officer
iii. Head, Project and Business Development, and
iv. Head, Technical Services.

[14] Rounded-off.
[15] Whether bonuses will be given in 2014 is uncertain at this time.

will amount to 10% of ALCO's total outstanding capital stock at any given time. At present, this is equivalent to 511,809,520 shares. The Stock Option and Compensation Committee consisting of at least three (3) directors, one (1) of whom is an independent director, will administer the implementation of this plan.

Under the 2009 ALCO Stock Option Plan, the qualified employees eligible to participate are (i) members of the Board, with the exception of the independent directors; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and, (iv) Executive officers assigned to ALCO's subsidiaries or affiliates[16].

The Stock Option and Compensation Committee is empowered to determine to whom the Options are to be granted, determine the price the Option is to be exercised (which in no case shall be below the par value of ALCO's common stock), decide when such Option shall be granted and its effectivity dates, and determine the number and class of shares to be allocated to each qualified employee. The Committee will also consider at all times the performance evaluation of the qualified employee and/or the result of the achievement of the objectives of ALCO each year.

The Option Period during which the qualified employee may exercise the option to purchase such number of shares granted will be three (3) years starting with the full year vesting in accordance with the following schedule:

(i) Within the first twelve (12) months from Grant Date - up to 33.33%
(ii) Within the 13th to the 24th month from Grant Date - up to 33.33%
(iii)Within the 25th to 36th month from Grant Date - up to 33.33%.

On the Exercise Date, the qualified employee should pay the full Purchase Price or in such terms as may be decided upon by the Committee.

As of the date of this Report, options equivalent to 164,800,000 were granted. However, none of the qualified employees exercised their respective rights until October 2012 when the period within which they can do so expired.

ITEM 11. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares (*as of 31 December 2013*)

Title of Class	*Name and Address of Record Owners*	*Citizenship*	*Amount & Nature of Ownership*	*% of Class*
Common	**CPG Holdings, Inc.** 7/F The Centerpoint Building,	Filipino	1,800,000,000	33.8467

[16] ALCO must have at least 50% equity holdings of said subsidiary or affiliate.

	Julia Vargas corner Garnet Street, Ortigas Center, Pasig City		Direct	
Common	**AO Capital Holdings I** 25/F PhilAm Life Tower 8767 Paseo de Roxas, Salcedo Village, Makati City	Filipino	1,383,730,000 Direct	26.0193
Common	**Nanlong Investment Limited** British Virgin Islands	British	342,619,910 Direct	6.4425
Common	**Edimax Investment Limited** British Virgin Islands	British	296,460,000 Direct	5.5746

ALCO is not aware of any voting trust agreements involving its shares.

(2) Security Ownership of Management (*as of 31 December 2013*)

There are no shares held or acquired beneficially by any of the directors and executive officers of ALCO other than the nominal shares held by said directors and executive officers.

Title of Class	*Name and Position of Record Owners*	*Citizenship*	*Amount & Nature of Ownership*	*% of Class*
Common	**Angela de Villa-Lacson** *Director/President and CEO* Unit 3503 The Regency at Salcedo, Tordecillas corner Sanchez Streets, Salcedo Village, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Jaime C. Gonzalez** *Director* 50 McKinley Road, Forbes Park, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Jaime Enrique Y. Gonzalez** *Director* 50 McKinley Road, Forbes Park, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Christopher Paulus Nicolas T. Po** *Director* 28 Jackson Street, West Greenhills, San Juan, Metro Manila	Filipino	1 Record and Beneficial Owner	0.00 %

Common	**Ricardo Gabriel T. Po** *Director* 1524 Carissa Street Dasmarinas Village, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Ricardo S. Po, Sr.** *Director/Vice Chairman* 28 Jackson Street, West Greenhills, San Juan, Metro Manila	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Srinivas Polishetty** *Director/Compliance Officer* Unit 302 One Salcedo Place, LP Leviste corner J. Velasquez Streets, Makati City	Indian	1 Record and Beneficial Owner	0.00 %
Common	**Ernest K. Cuyegkeng** *Independent Director/ Chairman of the Board* 1839 Santan Street, Dasmarinas Village, Makati City	Filipino	1 Record and Beneficial Owner	0.00 %
Common	**Fernan Victor P. Lukban** *Independent Director* 6 Tyler Street, North Greenhills, San Juan City, Metro Manila	Filipino	1 Record and Beneficial Owner	0.00 %
None	**Leonardo Arthur T. Po** *Treasurer* 2913 Amorsolo Tower Rockwell Center, Makati City	Filipino	0	N.A.
None	**Daisy P. Arce** *Corporate Secretary* 200 Recoletos Street, Urdaneta Village, Makati City	Filipino	0	N.A.
None	**Riva Khristine V. Maala** *Assistant Corporate Secretary/Corporate Information Officer* 21 J. Paredes St., BF Homes, Diliman Quezon City	Filipino	0	N.A.

		TOTAL	**9 shares**	

ITEM 12. Certain Relationships and Related Transactions

In the regular conduct of its business, ALCO and its wholly-owned subsidiaries enter into intercompany transactions, primarily advances necessary to carry out their respective functions subject to liquidation and reimbursements for expenses. ALCO ensures that while these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks, they are fair and treated at arm's length. Intercompany transactions between ALCO and its wholly-owned subsidiaries for the period covered by this Report are discussed in the Audited Financial Statements hereto attached.

Except for the above, there are no other transactions (or series of similar transactions) with or involving any of its subsidiaries in which a director or an executive officer or a stockholder who owns ten percent (10%) or more of ALCO's total outstanding shares, or member/s of their immediate family, had or is to have a direct or indirect material interest.

PART IV – ANNUAL CORPORATE GOVERNANCE REPORT[17]

The following updates to ALCO's Annual Corporate Governance Report for 2013 were disclosed accordingly either in this Report or otherwise *via* letter-advisement and SEC Form 17-C (Current Report):

A 1) (d) (ii) – Directorships in Listed Companies

As of the date of this Report, none of the members of ALCO's Board of Directors are also directors of publicly-listed companies outside of its group.

C 2) – Attendance of Directors

For the period of 1 January 2013 to 31 December 2013, there were six (6) meetings[18] held by ALCO's Board of Directors. Below are the details on the attendance at the said meetings of the individual members of the Board:

Name of Director	Number of Meetings Attended
Ernest K. Cuyegkeng	5
Jaime C. Gonzalez	6
Jaime Enrique Y. Gonzalez	2
Angela de Villa Lacson	6
Fernan Victor P. Lukban	2
Christopher Paulus Nicolas T. Po	5
Ricardo Gabriel T. Po, Jr.	3
Ricardo S. Po, Sr.	6
Srinivas Polishetty[19]	3/3
Dennis Omar T. Salvo[20]	2/3

[17] ALCO submitted its Annual Corporate Governance Report for 2013 to the SEC only on 30 July 2013 in order to give its newly-appointed Compliance Officer time to familiarize himself with the internal policies and procedures of the company before affixing his signature to the said Report and attesting to the same under oath.
[18] The 2013 Board meetings were held on 30 January 2013, 06 March 2013, 10 April 2013, 28 June 2013, 31 July 2013 and 30 October 2013.
[19] For the period of 28 June 2013 to 31 December 2013.
[20] For the period of 01 January 2013 to 27 June 2013.

J 1) (c) – Dividends (Cash)

Declaration Date	Record Date	Payment Date
28 June 2013	26 July 2013	22 August 2013
10 March 2014	28 March 2014	22 April 2014

J 2) (b) – Do minority stockholders have a right to nominate candidates for board of directors?

Yes. Under Section 2, Article III of ALCO's By-laws, all nominations for the election of directors by any of the stockholders must be submitted in writing to the Nomination Committee through the Secretary at ALCO's principal place of business at least sixty (60) business days before the date of the stockholders' meeting called for the purpose of electing directors, or at such earlier or later date that the Board of Directors may fix. The date fixed by the Board for any stockholder to submit nominations for the election of directors, including independent directors, during the 2014 Annual Stockholders' Meeting[21] is on 28 April 2014.

PART V – EXHIBITS AND SCHEDULES

ITEM 13. Exhibits and Reports on SEC Form 17-C

a. Supplementary Schedules with separate independent auditors opinion are in the succeeding pages.

b. The Aggregate Market Value of Voting Stock held by Top 10 Non-Affiliates is in page 3 of this Report.

c. There were no disclosures not covered by SEC Form 17-C (Current Report) filed in the last quarter of 2013.

UNDERTAKING

ARTHALAND CORPORATION (ALCO) undertakes to provide, without charge, a copy of its Annual Report, SEC Form 17-A, to any person soliciting a copy thereof upon written request addressed to the Corporate Secretary with principal office address at the 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

Nothing follows.

[21] Under Section 6, Article II of ALCO's By-laws, the regular annual meetings of the stockholders shall be held on the last Friday of June of each year, xxx at such time and place as the Board of Directors shall determine. For 2014, the annual stockholders' meeting will be held on 27 June 2014, Friday, 8:30 A.M. at the ArthaLand Sales Pavilion located at McKinley Parkway corner 7th Avenue, Bonifacio Global City, Taguig City.

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Securities Regulations Code and Section 141 of the Corporation Code, this Report is signed on behalf of the issuer in **Taguig City** on this **10th** day of **April 2014**.

ARTHALAND CORPORATION
By:

ERNEST K. CUYEGKENG
Chairman of the Board
Passport No. EB4390925
Issued on 06 January 2012 in Manila

ANGELA DE VILLA LACSON
President and CEO
Passport No. EB7803963
Issued on 04 April 2013 in Manila

PONCIANO S. CARREON, JR.
Chief Finance Officer
Passport No. EB3824128
Issued on 07 October 2011 in Manila

SUBSCRIBED AND SWORN to before me this on this **10th** day of **April 2014** at **Taguig City, Philippines**, affiants exhibiting to me competent evidence of their respective identities as above indicated.

Doc. No. 95
Page No. 20
Book No. 21
Series of 2014.

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR No. 3673780 / 1-03-13 MKT
IBP No. 911640 / 12 - 26 -12 RSM
ROLL NO. 41969
MCLE COMP. IV No. 0020663

AUDITED FINANCIAL STATEMENTS
(For the period ended as of 31 December 2013)
AND SUPPLEMENTARY SCHEDULES

ARTHALAND
FUTURE PROOF BY DESIGN

STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **ARTHALAND CORPORATION** and its Subsidiaries (the "Group") is responsible for all information and representations contained in the financial statements for the years ended 31 December **2013**, **2012** and **2011**. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. The management likewise discloses to the Group's external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders.

Reyes Tacandong & Co., the independent auditors appointed by the stockholders for the period 31 December **2013** and **2012**, respectively, and **Punongbayan & Araullo** for the period 31 December **2011** have examined the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

02 April 2014.

ERNEST K. CUYEGKENG
Chairman of the Board
Passport No. EB4390925
Issued on 06 January 2012 in Manila

ANGELA DE VILLA LACSON
President and CEO
Passport No. EB7803963
Issued on 04 April 2013 in Manila

PONCIANO S. CARREON, JR.
Chief Finance Officer
Passport No. EB3824128
Issued on 07 October 2011 in Manila

8th Floor, Picadilly Star Building, 4th Avenue cor. 27th Street, Bonifacio Global City, Taguig 1634, Philippines TEL: (632) 403-6910 • FAX: (632) 403-6908

OATH

Republic of the Philippines)
Taguig City) SS.

I certify that on this 2nd day of **April 2014**, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **ERNEST K. CUYEGKENG, ANGELA DE VILLA LACSON** and **PONCIANO S. CARREON, JR.** (i) whom I identified through their respective **Passports**, a competent evidence of identity, to be the same persons described in the foregoing instrument, (ii) who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and (iii) who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal.

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

Doc. No. 349
Page No. 71
Book No. 20
Series of 2014.

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR No. 3673780 / 1-03-13 MKT
IBP No. 911640 / 12-26-12 RSM
ROLL NO. 41969
MCLE COMP. IV No. 0020663

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City 1200 Philippines
www.reyestacandong.com
Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Arthaland Corporation and Subsidiaries as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

REYES TACANDONG & CO.

Carolina P. Angeles

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 0658-AR-1 Group A
Valid until March 30, 2014
BIR Accreditation No. 08-005144-7-2013
Valid until November 26, 2016
PTR No. 4232810
Issued January 2, 2014, Makati City

March 10, 2014
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2013	December 31 2012 (As Restated - Note 3)	January 1 2012 (As Restated - Note 3)
ASSETS				
Cash and cash equivalents	6	**₱574,608,266**	₱335,727,042	₱160,920,587
Trade and other receivables	7	**1,416,114,777**	801,278,453	286,787,941
Real estate for sale	8	**1,388,489,169**	1,554,389,856	2,096,649,159
Investment properties	9	**681,139,343**	645,556,744	645,556,744
Property and equipment	10	**45,536,253**	24,251,797	31,259,790
Deferred tax assets - Net	20	**43,739,108**	82,483,297	96,523,140
Other assets	11	**204,693,708**	196,224,071	155,606,812
		₱4,354,320,624	₱3,639,911,260	₱3,473,304,173
LIABILITIES AND EQUITY				
Liabilities				
Loans payable	12	**₱1,769,861,911**	₱1,503,210,516	₱1,639,765,210
Accounts payable and other liabilities	13	**997,255,035**	796,460,145	763,237,364
Retirement liability	18	**23,532,523**	14,986,602	14,142,082
Total Liabilities		**2,790,649,469**	2,314,657,263	2,417,144,656
Equity				
Capital stock	14	**850,786,496**	830,181,736	830,181,736
Additional paid-in capital		**54,575,400**	54,575,400	54,575,400
Retained earnings		**656,252,442**	437,049,725	171,055,768
Accumulated unrealized actuarial gains - net of tax	18	**2,056,817**	3,447,136	346,613
Total Equity		**1,563,671,155**	1,325,253,997	1,056,159,517
		₱4,354,320,624	₱3,639,911,260	₱3,473,304,173

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2013**	2012 (As Restated - Note 3)	2011 (As Restated Note 3)
REVENUE FROM REAL ESTATE SALES		**₱2,332,118,300**	₱1,453,263,809	₱473,401,834
COST OF REAL ESTATE SOLD		**1,540,944,865**	1,167,802,556	310,861,192
GROSS INCOME		**791,173,435**	285,461,253	162,540,642
OPERATING EXPENSES	15	**368,607,053**	303,879,116	224,539,012
INCOME (LOSS) FROM OPERATIONS		**422,566,382**	(18,417,863)	(61,998,370)
FINANCE COSTS	16	**(78,299,685)**	(71,275,593)	(225,734,141)
OTHER INCOME - Net	17	**18,342,033**	413,027,859	204,737,698
INCOME (LOSS) BEFORE INCOME TAX		**362,608,730**	323,334,403	(82,994,813)
INCOME TAX EXPENSE (BENEFIT)	20	**79,588,871**	57,340,446	(89,921,153)
NET INCOME		**283,019,859**	265,993,957	6,926,340
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss-				
Remeasurement gain (loss) on retirement liability	18	**(1,986,170)**	4,429,319	495,161
Income tax expense (benefit) relating to item that will not be reclassified	20	**595,851**	(1,328,796)	(148,548)
		(1,390,319)	3,100,523	346,613
TOTAL COMPREHENSIVE INCOME		**₱281,629,540**	₱269,094,480	₱7,272,953
EARNINGS PER SHARE - Basic and Diluted	21	**₱0.0532**	₱0.0500	₱0.0019

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2013**	2012 (As Restated - Note 3)	2011 (As Restated - Note3)
CAPITAL STOCK				
Issued and outstanding		**₱773,435,736**	₱773,435,736	₱773,435,736
Subscribed capital - net of subscriptions receivable		**77,350,760**	56,746,000	56,746,000
	14	**850,786,496**	830,181,736	830,181,736
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**54,575,400**	54,575,400	14,575,400
Collection of old subscriptions		**–**	–	40,000,000
Balance at end of year		**54,575,400**	54,575,400	54,575,400
RETAINED EARNINGS				
Balance at beginning of year		**437,049,725**	171,055,768	164,129,428
Net income for the year		**283,019,859**	265,993,957	6,926,340
Dividends declared during the year	14	**(63,817,142)**	–	–
Balance at end of year		**656,252,442**	437,049,725	171,055,768
ACCUMULATED UNREALIZED ACTUARIAL GAINS				
Balance at beginning of year, as previously reported		**–**	–	–
Prior period adjustments	3	**3,447,136**	346,613	–
Balance at beginning of year, as restated		**3,447,136**	346,613	–
Remeasurement gain (loss) on retirement liability	18	**(1,986,170)**	4,429,319	495,161
Income tax expense (benefit) relating to OCI for the year	20	**595,851**	(1,328,796)	(148,548)
Balance at end of year		**2,056,817**	3,447,136	346,613
		₱1,563,671,155	₱1,325,253,997	₱1,056,159,517

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before tax		**₱362,608,730**	₱323,334,403	(₱82,994,813)
Adjustments for:				
Interest expense	16	**72,543,240**	69,392,720	125,724,316
Depreciation and amortization	15	**37,082,990**	17,767,283	15,966,474
Interest income	17	**(9,080,891)**	(9,094,934)	(2,826,073)
Retirement expense	18	**6,559,751**	5,273,839	14,637,243
Discount on receivables financing	16	**5,461,787**	–	–
Unrealized foreign exchange gain		**(1,775,181)**	–	–
Loss on write-off of real estate asset		**548,011**	–	–
Provision for (reversal of) impairment of:				
Real estate for sale	8	**–**	–	(179,498,812)
Trade and other receivables	7	**–**	368,292	–
Gain on sale of:				
Property and equipment		**(118,278)**	–	–
Receivables	17	**–**	(81,310,717)	–
Subsidiary	17	**–**	(332,609,899)	–
Loss on early extinguishment of debt	16	**–**	–	70,388,185
Excess of fair value over book value of assets acquired	17	**–**	–	(14,948,314)
Operating income (loss) before working capital changes		**473,830,159**	(6,879,013)	(53,551,794)
Decrease (increase) in:				
Trade and other receivables		**(645,625,465)**	(688,669,589)	(267,850,152)
Real estate for sale		**144,563,815**	235,173,817	(256,952,101)
Other assets		**(8,469,637)**	(56,847,626)	(112,776,777)
Increase in accounts payable and other liabilities		**190,539,645**	344,128,079	439,068,637
Net cash generated by (used in) operations		**154,838,517**	(173,094,332)	(252,062,187)
Interest paid		**(72,543,240)**	(56,366,021)	(246,695,404)
Interest received		**9,080,891**	8,786,221	2,826,073
Income taxes paid		**(40,248,831)**	(44,629,398)	(471,065)
Net cash provided by (used in) operating activities		**51,127,337**	(265,303,530)	(496,402,583)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	10	**(38,480,316)**	(11,738,651)	(7,968,360)
Proceeds from disposal of:				
Property and equipment		**1,020,009**	979,361	1,767,415
Subsidiary		**–**	587,423,969	–
Net cash provided by (used in) investing activities		**(37,460,307)**	576,664,679	(6,200,945)

(Forward)

	Note	Years Ended December 31 2013	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	12	**₱547,764,526**	₱361,266,407	₱996,669,777
Payment of dividends		**(43,212,382)**	–	–
Net proceeds from issuance of capital stock		**–**	–	436,000,000
Settlement of loan and other interest-bearing liabilities	12	**(281,113,131)**	(497,821,101)	(820,505,963)
Net cash generated from (used in) financing activities		**223,439,013**	(136,554,694)	612,163,814
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**1,775,181**	–	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		**238,881,224**	174,806,455	109,560,286
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	**335,727,042**	160,920,587	51,360,301
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱574,608,266**	₱335,727,042	₱160,920,587

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Matters**

Arthaland Corporation (the Parent Company or ALCO) was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's shares of stocks are listed for trading in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in real estate development and leasing. ALCO's first major development project is Arya Residences Towers 1 and 2 (the Project) located and currently rising in Global City, Taguig. The Project is the first high-rise in the Philippines to be registered with US Green Building Council's Leadership in Energy and Environmental Design program with the certification goal of Gold.

The Parent Company is currently 34% owned by CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers domiciled in the Philippines and 26% owned by AO Capital Holdings 1, Inc. (AOCH1), a company domiciled in the Philippines and was incorporated primarily as a holding company.

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred herein as "the Group"):

		Effective % of Ownership	
Subsidiary	Place of Incorporation	**2013**	2012
Cazneau, Inc. (Cazneau)	Philippines	**100%**	100%
Manchesterland Properties, Inc. (MPI)	Philippines	**100%**	100%
Emera Property Management, Inc. (Emera)	Philippines	**100%**	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	**100%**	100%

All of the subsidiaries are established to engage primarily in real estate development and presently most of them hold parcels of land for future development, except Emera which is a property management company.

On April 23, 2012, the Parent Company sold its 100% interest in IRMO, Inc. (IRMO) to Future State Myspace, Inc. (Myspace) for ₱345.8 million. The disposal of the interest in IRMO resulted to a net gain of ₱332.6 million (see Note 17). As a result, the assets and liabilities of IRMO were deconsolidated from the time of its disposal.

The Parent Company's registered office, which is also its principal place of business, is located at 8th floor Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

The consolidated financial statements of the Group as at and for the year ended December 31, 2013, were approved and authorized for issuance by the Board of Directors (BOD) on March 10, 2014.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis and are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

Moreover, the consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and SEC provisions.

3. Summary of Changes in PFRS

Adoption of New and Revised PFRS

The Group adopted new and revised PFRS effective January 1, 2013. These are summarized below:

- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* - The amendment changed the presentation of items in Other Comprehensive Income. Items that will be reclassified to profit or loss at a future point in time is presented separately from items that cannot be reclassified.

- PAS 19, *Employee Benefits* (Amendment) - There were numerous changes ranging from the fundamental changes such as removing the corridor mechanism in the recognition of actuarial gains or losses and the concept of expected returns on plan assets to simple clarifications and re-wording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

  The following tables summarize the effect of the change of the adoption of the new standard.

	December 31, 2012		
	As Previously reported	Effect of adoption of new standard	Adjusted Balances
Retirement liability	₱19,911,082	(₱4,924,480)	₱14,986,602
Deferred tax assets	83,960,641	(1,477,344)	82,483,297
Accumulated unrealized actuarial gains, net of tax	–	3,447,136	3,447,136

	January 1, 2012		
	As Previously reported	Effect of adoption of new standard	Adjusted Balances
Retirement liability	₱14,637,243	(₱495,161)	₱14,142,082
Deferred tax assets	96,671,688	(148,548)	96,523,140
Accumulated unrealized actuarial gains, net of tax	–	346,613	346,613

- PFRS 10, *Consolidated Financial Statements* - The standard replaces the portion of PAS 27, *Separate Financial Statements,* that addresses the accounting for consolidated financial statements and SIC-12, *Consolidation – Special Purpose Entities.* It establishes a single control model that applies to all entities including special purpose entities. Management has to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a Parent Company.

- PFRS 11, *Joint Arrangements* – PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities – Non-monetary Contributions by Venturers* - The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, joint venture entities that meet the definition of a joint venture are accounted for using the equity method.

- PFRS 12, *Disclosure of Interests in Other Entities* - The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- Amendments to PFRS 10, PFRS 11, *Joint Arrangements*, and PFRS 12*: Transition Guidance* - The amendments provide additional transition relief in PFRS 10, PFRS 11, and PFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments removed the requirement to present comparative information for periods before PFRS 12 is first applied.

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

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) - This standard prescribes the application of the equity method to investments in associates and joint ventures.

- PFRS 7, *Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments) - The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

- PFRS 13, *Fair Value Measurement* - The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

- Improvements to PFRS

  The omnibus amendments to PFRS issued in May 2012, which are effective for annual periods beginning on or after January 1, 2013, were issued primarily to clarify accounting and disclosure requirements to assure consistency in the application of the following standards.

  - PAS 1, *Presentation of Financial Statements*
  - PAS 16, *Property, Plant and Equipment*
  - PAS 32, *Financial Instrument: Presentation*
  - PAS 34, *Interim Financial Reporting*

The adoption of the foregoing new and revised PFRS, except for PAS 19, did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New and Revised PFRS Not Yet Adopted
Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2013 and have not been applied in preparing the consolidated financial statements are summarized below:

Effective for annual periods beginning on or after January 1, 2014:

- Amendments to PFRS 10, PFRS 12 and PAS 27: *Investment Entities* - The amendments provide an exception from the requirements of consolidation for investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

- Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities* - The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32. The amendments clarify (1) the meaning of 'currently has a legally enforceable right of set-off; and (2) that some gross settlement systems may be considered equivalent to net settlement.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* - This standard is the first phase in replacing PAS 39, *Financial Instruments: Recognition and Measurement,* and applies to classification and measurement of financial assets as defined in PAS 39.

Effectivity date to be determined:

- 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. This interpretation requires that 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 stage of completion.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements.

4. Summary of Significant Accounting Policies

The significant accounting and reporting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Consolidation

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

Transactions Eliminated on Consolidation. All intragroup balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Financial Assets and Liabilities

Date of Recognition. Financial instruments are recognized in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition. Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of financial instruments, except for financial instruments classified at fair value through profit or loss (FVPL).

Classification of Financial Instruments. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The Group does not have financial instruments classified as financial assets or financial liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents and trade and other receivables are classified under this category.

Other Financial Liabilities. Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified of designated at FVPL and contain obligations to deliver cash or another financial asset to the holder as to settle the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity.

The Group's loans payable and accounts payable and other liabilities (except statutory liabilities) are classified as other financial liabilities.

<u>Derecognition of Financial Assets and Liabilities</u>

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

- the rights to receive cash flows from the asset have expired;

- the Group 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 Group 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 Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group'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 the Group could be required to pay.

Financial Liabilities. 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 consolidated statements of comprehensive income.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., 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 discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statements of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. 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, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Fair Value Measurement

The Company uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 9 - Investment properties
- Note 23 - Fair value measurement

Real Estate for Sale

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

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and cost of improving the properties up to the reporting date. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and the estimated costs of sale. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties (except for land which is stated at cost less any impairment in value) are measured at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized when either 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 consolidated statements of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sale.

Property and Equipment

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

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year 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 additional costs of property and equipment.

Depreciation and amortization is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Office equipment	3 to 5
Furniture and fixtures	3
Leasehold improvements	3 to 5 or lease term, whichever is shorter
Transportation equipment	5

The estimated useful lives and depreciation and amortization method 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.

Fully-depreciated assets are retained in the account until they are no longer in use and no further change for depreciation is made in respect to those assets.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 consolidated statements of comprehensive income in the year the asset is derecognized.

Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its net recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in the consolidated statements of comprehensive income in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Value-Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority; or

- receivable and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other assets" or "Accounts payable and other liabilities" accounts, respectively, in the consolidated statements of financial position.

Deferred Input VAT

In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost is measured as the sum of the considerations transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration payable by the acquirer is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. Otherwise, subsequent changes to the fair value of contingent consideration are recognized either in profit or loss or as a change to other comprehensive income.

When the business combination is achieved in stages, any previously held non-controlling interest is remeasured to its fair value at the date of obtaining control, and a gain or loss is recognized in profit or loss.

Goodwill is initially measured at the acquisition date as the sum of the fair value of consideration transferred; the recognized amount of any non-controlling interest in the acquiree; and, if the business combination is achieved in stages, the fair value of existing equity interest in the acquiree less the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the bargain purchase gain is recognized directly in consolidated statements of comprehensive income. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity, are expensed as incurred.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the acquisition in which goodwill arose. The Group assesses the carrying amount of goodwill annually or more frequently if events or changes in circumstances indicate that such carrying amount may not be recoverable.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

Prepayments

Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to consolidated statements of comprehensive income when incurred.

Capital Stock

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax.

Subscription Receivable

Subscription receivable is the amount to be collected before the subscribed shares are issued and is presented as a deduction from equity.

Retained Earnings (deficit)

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Basic and Diluted Earnings/Loss Per Share (EPS)

Basic EPS is computed by dividing the net income for the year attributable to equity holders of the Group by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of convertible securities.

Revenue and Cost Recognition

Revenue is recognized to the extent that revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

Revenue from Real Estate Sales. The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Pending recognition of sale, cash received from buyers and any excess of collections over the recognized receivables are included in the payable to buyers account under "Accounts payable and other liabilities" in the consolidated statements of financial position. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of 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.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Rental Income. Revenue is recognized on a straight-line basis over the lease term.

Interest Income. Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

<u>Operating Expense Recognition</u>
Operating expenses constitute cost of administering the business and cost of selling and marketing condominium units for sale. It includes commissions, marketing and selling expenses and other operating expenses, among others. Operating expenses are recognized as incurred.

<u>Leases</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfilment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as Lessee. Leases where all the risks and rewards and benefits of ownership of the assets are not substantially transferred to the Group are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

Group as Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as income in the period they are earned.

Employee Benefits

Short-term Benefits. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Company has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Company recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) 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.

The retirement liability is the aggregate of the present value of the retirement liability on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when all such activities are substantially complete.

Foreign Currency-Denominated Transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in the consolidated statements of comprehensive income.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused MCIT and NOLCO 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 income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions
Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Segment Reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Provisions and Contingencies
Provisions are recognized when the Group has a present legal or constructive obligation 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments 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.

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

Events After the Reporting Period
Any post year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments

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

Functional Currency. Based on management's assessment, the functional currency of the Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the operations of the Company.

Revenue Recognition. Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing and location of the property. Completion of development is determined based on engineer's judgments and estimates on the physical portion of contract work done and the completion of development beyond the preliminary stage.

Revenues from real estate sale amounted to ₱2,332.1 million, ₱1,453.3 million and ₱473.4 million in 2013, 2012 and 2011, respectively.

Operating Lease Commitments – Group as Lessor. The Group has entered into parking rental agreement for its unsubdivided land. Considering that there will be no transfer of ownership of the leased properties to the lessee, the Group has determined that it retains all the significant risks and benefits of ownership of these properties. Accordingly, the leases are accounted for as operating leases.

Rental income amounted to ₱2.9 million, ₱3.8 million and ₱3.1 million in 2013, 2012 and 2011, respectively (see Note 19).

Operating Lease Commitments – Group as Lessee. The Group has entered into a property lease as a lessee for its office premises and sales pavilion. The Group has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the leases are accounted for as operating leases.

Rental expense amounted to ₱19.4 million, ₱13.1 million and ₱11.1 million in 2013, 2012 and 2011, respectively (see Note 19).

Estimates and Assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Allowance for Impairment of Receivables. Adequate amount of allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

Trade and other receivables amounted to ₱1,416.1 million and ₱801.3 million as at December 31, 2013 and 2012, respectively (see Note 7). Impairment loss charged under "Operating expenses" account in the consolidated statements of comprehensive income amounted to nil in 2013, ₱0.4 million in 2012 and nil in 2011.

Determining Net Realizable Value of Real Estate Assets. The Group adjusts the cost of its real estate assets to NRV based on its assessment of the recoverability of the real estate assets. NRV for completed real estate assets is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate assets under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

The carrying amount of real estate for sale as at December 31, 2013 and 2012 amounted to ₱1,388.5 million and ₱1,554.4 million, respectively. Considering the pricing policies of the Group, cost is considerably lower than the NRV (see Note 8).

Estimated Useful Lives of Property and Equipment and Investment Properties. The Group reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development consistent with the Group's pursuit of constant modernization of the equipment fleet to ensure the availability, reliability and cost efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property, plant and equipment and investment properties.

The carrying amount of property and equipment as at December 31, 2013 and 2012 amounted to ₱45.5 million and ₱24.3 million, respectively (see Note 10). Investment properties as at December 31, 2013 and 2012 amounted to ₱681.1 million and ₱645.6 million, respectively (see Note 9).

Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Recoverable amount represents the value in use, determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Impairment loss amounting to ₱0.9 million was recognized on goodwill in 2012 (see Note 11).

The carrying amount of investment properties and property and equipment aggregated to ₱726.7 million and ₱669.8 million as at December 31, 2013 and 2012, respectively (see Notes 9 and 10).

Retirement Benefit Costs. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 18 and include among others, discount rate, expected return on plan assets and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement liability.

The estimated retirement liability amounted to ₱23.5 million and ₱15.0 million as at December 31, 2013 and 2012, respectively (see Note 18).

Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the following periods. Based on the projection, not all temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

The carrying amount of deferred tax assets amounted to ₱57.9 million and ₱82.5 million as at December 31, 2013 and 2012, respectively (see Note 20).

6. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand	**₱30,000**	₱30,000
Cash in banks	**237,069,473**	45,467,992
Short-term placements	**337,508,793**	290,229,050
	₱574,608,266	₱335,727,042

Cash in banks earn interest at the prevailing bank deposit rates and are immediately available for use in the current operations. Short-term placements are made for varying periods up to three (3) months and earn interest at the prevailing short-term deposit rates. Interest income earned from cash in banks and short-term placements amounted to ₱9.1 million, ₱9.1 million and ₱2.8 million in 2013, 2012 and 2011, respectively (see Note 17).

7. Trade and Other Receivables

This account consists of:

	2013	2012
Sale of real estate	**₱1,194,335,881**	₱657,274,281
Advances for project development	**171,871,389**	133,597,388
Advances to employees	**6,014,591**	5,645,368
Other receivables	**44,261,208**	5,129,708
	1,416,483,069	801,646,745
Allowance for impairment losses	**(368,292)**	(368,292)
	₱1,416,114,777	₱801,278,453

Receivables from sale of real estate pertain to receivables from sale of condominium units. These receivables are noninterest-bearing and generally collectible in monthly installments over a maximum period of three (3) years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Receivables from sale of real estate aggregating ₱800.0 million and ₱806.0 million were used as collateral for loans obtained from certain local banks in 2013 and 2012, respectively (see Note 12).

In 2013, the Group sold receivables from sale of real estate to certain local banks on a with recourse basis amounting to ₱425.9 million and on a without recourse basis amounting to ₱129.2 million. A discount was recognized on the sale of receivables on a without recourse basis amounting to ₱5.5 million included under "Finance costs" account in the consolidated statements of comprehensive income (see Note 16).

Advances for project development pertain to downpayments made to contractors for the construction of the Project. These advances are noninterest-bearing and are being recouped against contractors' progress billings.

Advances to employees represent salary and other loans granted to Parent Company's employees which are noninterest-bearing in nature and collectible through salary deductions. These also include various cash advances used for certain operating expenses not covered by disbursement of petty cash fund and are subject to liquidation.

Other receivables as at December 31, 2013 include receivable from CPG, a related party, amounting to ₱36.1 million arising from the share purchase agreement between the Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by Urban Property Holdings, Inc. (UPHI), a subsidiary, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Company to CPG, the latter shall pay to the Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

8. Real Estate for Sale

This account consists of:

	2013	2012
Assets under construction	**₱1,343,469,234**	₱1,509,369,921
Raw land inventory	**45,019,935**	45,019,935
	₱1,388,489,169	₱1,554,389,856

Raw land inventory pertains to parcels of land for future development.

On April 23, 2012, the Parent Company sold its 33.61% *pro indiviso* interest in a parcel of land located at Bonifacio Global City, Taguig to IRMO for ₱150.0 million. Prior to the sale, IRMO owned 66.39% *pro indviso* interest in the parcel of land. The disposal of interest in the parcel of land resulted to a gain of ₱25.0 million.

Assets under construction consist of land cost and project development costs incurred by the Parent Company for the construction of the Project. Estimated cost to complete the Project amounted to ₱1,481.9 million and ₱618.5 million, as at December 31, 2013 and 2012, respectively. Estimated cost to complete for Tower 1 is ₱41.7 million as at December 31, 2013 and ₱514.3 million as at December 31, 2012. The estimated cost to complete for Tower 2 is ₱1,440.2 million as at December 31, 2013.

The Parent Company partially finances its project developments through availment of loans. Accumulated capitalized borrowing cost amounted to ₱145.0 million and ₱100.7 million as at December 31, 2013 and 2012, respectively (see Note 12).

In 2011, the Group recognized a gain amounting to ₱179.5 million representing recovery of the impairment loss recognized on the raw land inventory located at Bonifacio Global City, Taguig (see Note 17). Management believes that the value of this land has substantially improved based on the appraisal conducted by independent appraisers.

Raw land inventory and assets under construction are stated at cost as at December 31, 2013 and 2012, respectively.

9. **Investment Properties**

This account consists of:

	2013	2012
Unsubdivided land	**₱621,913,060**	₱621,913,060
Development cost	**59,226,283**	23,643,684
	₱681,139,343	₱645,556,744

The Group's investment properties include UPHI's residential land with an area of 33 hectares located at Barangay Gonzalo-Bontog, Calamba City and Barangay Calabuso, Tagaytay City.

Portion of the UPHI's residential land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. NAPOCOR built a tower on the residential land owned by UPHI covering an area of one (1) hectare, the tower forms part of the Tayabas - Dasmarinas Line Project. The covered area is about 3% of the total land area owned by UPHI. As at December 31, 2013 and 2012, management believes that the effect of the expropriation on the Group's consolidated financial statements is not significant.

A complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. As at December 31, 2013 and 2012, management believes that the potential effect of the case on the Group's consolidated financial statements is not significant.

Unsubdivided land amounting to ₱472.1 million as at December 31, 2013, pertains to raw land located at Taguig City being temporarily leased out as a parking area. This raw land was mortgaged in favor of certain creditor banks as collaterals for the Group's loans (see Note 12).

Rental income from this lease amounted to ₱2.9 million, ₱3.8 million and ₱3.1 million in 2013, 2012 and 2011, respectively (see Note 17). Direct operating expenses incurred on the unsubdivided land which consist of real property tax and association dues amounted to ₱0.7 million in 2013 and 2012.

Development costs pertain to the cost incurred in the planning phase for the project in lot 5-5. These costs were reclassified from the assets under construction account.

The aggregate fair value of the unsubdivided land amounted to ₱1,187.2 million as at December 31, 2013 which was determined based on the last valuation report issued by the independent appraiser.

The description of valuation technique used and key inputs to valuation on investment properties follow:

	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average)
Unsubdivided land - Level 2	Market approach	None	₱223,749 to ₱297,504 per sq. m. of lot area

10. Property and Equipment

The balances and movements of this account as at and for the years ended December 31, 2013 and 2012 consist of:

		2013				
	Note	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Total
Cost						
Balance at beginning of year		₱11,423,153	₱6,496,740	₱43,844,266	₱16,890,500	₱78,654,659
Additions		23,240,284	960,243	24,871,564	10,197,086	59,269,177
Disposals		–	–	–	(2,562,167)	(2,562,167)
Balance at end of year		34,663,437	7,456,983	68,715,830	24,525,419	135,361,669
Accumulated Depreciation and Amortization						
Balance at beginning of year		7,864,769	5,773,609	33,739,069	7,025,415	54,402,862
Depreciation and amortization	15	9,324,681	607,440	23,082,264	4,068,605	37,082,990
Disposals		–	–	–	(1,660,436)	(1,660,436)
Balance at end of year		17,189,450	6,381,049	56,821,333	9,433,584	89,825,416
Carrying Amount		₱17,473,987	₱1,075,934	₱11,894,497	₱15,091,835	₱45,536,253

		2012				
	Note	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Total
Cost						
Balance at beginning of year		₱8,006,504	₱6,110,888	₱47,469,076	₱13,132,707	₱74,719,175
Additions		3,416,649	442,906	660,878	7,218,218	11,738,651
Disposals		–	(57,054)	(4,285,688)	(3,460,425)	(7,803,167)
Balance at end of year		11,423,153	6,496,740	43,844,266	16,890,500	78,654,659
Accumulated Depreciation and Amortization						
Balance at beginning of year		5,549,365	4,385,572	26,778,747	6,745,701	43,459,385
Depreciation and amortization	15	2,315,404	1,438,751	11,246,010	2,767,118	17,767,283
Disposals		–	(50,714)	(4,285,688)	(2,487,404)	(6,823,806)
Balance at end of year		7,864,769	5,773,609	33,739,069	7,025,415	54,402,862
Carrying Amount		₱3,558,384	₱723,131	₱10,105,197	₱9,865,085	₱24,251,797

As at December 31, 2013 and 2012, fully depreciated property and equipment that are being used by the Group amounted to ₱2.5 million and ₱1.6 million, respectively.

Additions in 2013 include reclassification from "Real estate for sale" account amounting to ₱20.8 million.

Depreciation and amortization on property and equipment were included as part of "Operating expenses" account in the consolidated statements of comprehensive income (see Note 15).

11. **Other Assets**

This account consists of:

	2013	2012
Creditable withholding taxes	**₱135,098,835**	₱80,519,150
Amounts held in escrow	**28,383,938**	57,857,382
Deposits	**26,716,979**	22,262,114
Deferred input VAT	**10,834,208**	2,669,524
Prepayments	**3,356,560**	2,786,879
Input VAT	**303,188**	27,219,106
Others	**945,034**	3,854,950
	205,638,742	197,169,105
Allowance for impairment	**(945,034)**	(945,034)
	₱204,693,708	₱196,224,071

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank the amount of which is equivalent to a quarter principal and interest amortization.

Deposits pertain to guarantee deposits for the construction of the Project. Deposits are refundable to the Group upon completion of the Project.

Deferred input VAT pertains to unamortized input VAT on property and equipment acquired whose amount exceeds ₱1.0 million, excluding VAT.

Prepayments consist of prepaid rent, taxes, insurance and others expenses.

Input VAT represents VAT paid to suppliers that can be claimed as credit against the Group's future output VAT liabilities.

Others include goodwill amounting to ₱0.9 million which pertains to the excess of acquisition cost over net assets of UPHI at the time of acquisition. In 2012, the management assessed that the carrying amount of the Group's goodwill arising from the acquisition of UPHI will not be recoverable.

12. **Loans Payable**

This account consists of:

	2013	2012
Local creditor banks	**₱1,689,116,844**	₱1,413,658,550
Private funders	**80,745,067**	89,551,966
	₱1,769,861,911	₱1,503,210,516

The summary of loans payable follows:

	2013	2012
Availments to Date		
Balance at beginning of year	**₱2,368,031,617**	₱2,006,765,210
Availments during the year	**547,764,526**	361,266,407
Balance at end of year	**2,915,796,143**	2,368,031,617
Payments to Date		
Balance at beginning of year	**(864,821,101)**	(367,000,000)
Payments during the year	**(281,113,131)**	(497,821,101)
Balance at end of year	**(1,145,934,232)**	(864,821,101)
Loans payable at end of year	**1,769,861,911**	1,503,210,516
Less: Current portion of loans payable	**(828,491,467)**	(979,551,966)
Long term portion of loans payable	**₱941,370,444**	₱523,658,550

Local creditor banks
Loans from local banks consist of interest-bearing secured loans obtained to finance the Parent Company's working capital requirements, project development and acquisition of property. These loans have interest rates ranging from 5.00% to 6.50% in 2013 and 5.00% to 7.39% in 2012.

Loan obtained to finance the Parent Company's working capital requirements is secured by receivables from real estate sales aggregating ₱625.9 million and ₱201.1 million as at December 31, 2013 and 2012, respectively (see Note 7). Loans obtained to finance the Parent Company's project developments are secured by investment property amounting to ₱472.1 million as at December 31, 2013 and 2012 (see Note 9). Loan obtained to finance the Parent Company's acquisition of property is secured by receivables from real estate sales aggregating ₱600.0 million and ₱604.9 million as at December 31, 2013 and 2012, respectively, and all the outstanding shares of stock of MPI.

Private funders
Loans from private funders represent unsecured borrowings with maturities of 30 to 180 days from reporting date. These loans have interest rates ranging from 5.00% to 6.50% in 2013 and 5.00% to 7.20% in 2012.

Accumulated borrowing costs already capitalized as part of "Real estate for sale" account in the consolidated statements of financial position amounted to ₱145.0 million and ₱100.7 million as at December 31, 2013 and 2012, respectively (see Note 8). The average rate used to determine the amount of borrowing costs eligible for capitalization is 6.25% in 2013 and 2012, respectively.

Total interest expense charged under "Finance costs" account in the consolidated statements of comprehensive income amounted to ₱72.5 million, ₱69.4 million and ₱125.7 million in 2013 and 2012 and 2011, respectively (see Note 16).

13. Accounts Payable and Other Liabilities

This account consists of:

	2013	2012
Accounts payable	**₱154,047,965**	₱21,896,761
Payable to buyers	**345,777,154**	429,164,393
Retention payable	**231,150,690**	108,370,570
Deferred output VAT	**199,226,041**	75,269,274
Accrued expenses	**40,328,173**	148,752,832
Output VAT	**18,939,081**	–
Withholding taxes payable	**5,008,311**	8,852,033
Others	**2,777,620**	4,154,282
	₱997,255,035	₱796,460,145

Accounts payable consist mainly of liabilities to contractors and suppliers, which are noninterest-bearing and are normally settled on a 30-day term.

Payable to buyers include reservation fees and collections paid to the Parent Company by prospective buyers which are to be applied against the receivable upon execution of sales documents and recognition of revenue. This account also includes excess collections from buyers over the related revenue recognized based on the percentage of completion method.

Accrued expenses are the accruals for interest, utilities, salaries and wages and other employee benefits which are expected to be settled within the next 12 months. This account also includes net accrual of rent expense to comply with PAS 17 which amounted to nil and ₱0.1 million as at December 31, 2013 and 2012, respectively.

14. Equity

The account consists of:

	Shares	
	2013	2012
Common shares - ₱0.18 par value		
Authorized - 16,368,095,199 shares		
Issued	**4,296,865,199**	4,296,865,199
Subscribed	**1,021,230,000**	1,021,230,000
Total number of shares	**5,318,095,199**	5,318,095,199

	2013	2012
Issued	**₱773,435,736**	₱773,435,736
Subscribed	**183,821,400**	183,821,400
Subscription receivable:		
Balance at beginning of year	**(127,075,400)**	(127,075,400)
Collections during the year	**20,604,760**	–
Balance at end of year	**(106,470,640)**	(127,075,400)
Subscribed - net	**77,350,760**	56,746,000
Capital stock	**₱850,786,496**	₱830,181,736

The details and movement of the shares listed with PSE follows:

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
1996	Initial public offering	351,000,000	₱1.00
1998	Payment of subscription	256,203,748	1.00
1999	Stock dividends	410,891,451	1.00
2009	Payment of subscription	628,770,000	0.20
2010	Payment of subscription	100,000,000	0.20
2011	Payment of subscription	2,200,000,000	0.20

The total number of shareholders is 2,070 and 2,096 as at December 31, 2013 and 2012, respectively.

On March 10, 2014, the Company's BOD approved the declaration of cash dividends to all stockholders of record as of March 28, 2014 in the amount of ₱0.036 per common share, or the total amount of ₱191.5 million. Payment date was set on April 22, 2014.

On June 28, 2013, the Company's BOD approved the declaration of cash dividends to all stockholders of record as of July 26, 2013 in the amount of ₱0.01 per common share, or the total amount of ₱63.8 million. The cash dividends were paid on August 22, 2013. Cash dividends pertaining to subscribed capital stock were applied to the related subscription receivable amounting to ₱20.6 million.

15. Operating Expenses

The operating expenses in the consolidated statements of comprehensive income are classified as follows:

	2013	2012	2011
Administrative	**₱236,860,488**	₱203,410,797	₱171,699,656
Selling and marketing	**131,746,565**	100,468,319	52,839,356
	₱368,607,053	₱303,879,116	₱224,539,012

Details of operating expenses by nature are as follows:

	Note	2013	2012	2011
Personnel costs	18	**₱96,438,303**	₱84,759,787	₱75,645,762
Brokers' commissions		**91,811,827**	43,696,459	32,942,015
Advertising		**39,934,738**	56,771,860	19,897,341
Depreciation and amortization	10	**37,082,990**	17,767,283	15,966,474
Rental	19	**19,398,398**	13,055,116	11,131,682
Communication and office expenses		**16,855,293**	13,161,335	12,536,971
Taxes and licenses		**15,760,489**	11,960,315	18,078,189
Transportation and travel		**12,592,431**	14,198,696	4,456,884
Management and professional fees		**11,116,250**	14,944,743	17,997,567
Insurance		**7,229,166**	6,429,987	3,779,897
Repairs and maintenance		**4,590,034**	5,922,914	–
Representation		**3,960,687**	2,349,749	438,414
Utilities		**3,315,367**	3,032,874	2,825,285
Others		**8,521,080**	15,827,998	8,842,531
		₱368,607,053	₱303,879,116	₱224,539,012

Personnel costs consist of the following:

	Note	2013	2012	2011
Salaries and other employee benefits		**₱89,878,552**	₱79,485,948	₱61,008,519
Retirement expense	18	**6,559,751**	5,273,839	14,637,243
		₱96,438,303	₱84,759,787	₱75,645,762

16. Finance Costs

This account arises from:

	Note	2013	2012	2011
Interest-bearing loans	12	**₱72,543,240**	₱69,392,720	₱125,724,316
Discount on receivables financing	7	**5,461,787**	–	27,786,843
Bank charges		**294,658**	1,882,873	1,834,797
Loss on early extinguishment of debt		**–**	–	70,388,185
		₱78,299,685	₱71,275,593	₱225,734,141

17. Other Income (Expense)

This account consists of:

	Note	2013	2012	2011
Interest income on cash in banks	6	**₱9,080,891**	₱9,094,934	₱2,826,073
Rental income	19	**2,877,359**	3,750,832	3,075,555
Foreign exchange gain		**1,828,415**	–	–
Gain on sale of subsidiary	1	**–**	332,609,899	–
Gain on sale of receivables	7	**–**	81,310,717	–
Reversal of impairment loss on real estate assets	8	**–**	–	179,498,812
Excess of fair values over book value of assets acquired		**–**	–	14,948,314
Others		**4,555,368**	(13,738,523)	4,388,944
		₱18,342,033	₱413,027,859	₱204,737,698

On April 23, 2012, the Parent Company assigned its receivables from IRMO amounting to ₱174.1 million to Myspace for ₱265.0 million inclusive of accumulated uncollected interest income amounting to ₱81.3 million.

Gain on sale of subsidiary is net of commission paid to broker amounting to ₱13.7 million in 2012.

Others include gain on sale of property and equipment and income from forfeited reservations and collections.

18. Retirement Liability

The Parent Company has an unfunded and non-contributory defined benefit retirement plan covering substantially all of its regular employees.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated February 17, 2014):

Movements in the present value of retirement liability are as follows:

	2013	2012 (As restated - see Note 3)
Balance at beginning of year	**₱14,986,602**	₱14,142,082
Current service cost	**5,711,509**	4,399,125
Interest cost	**848,242**	874,714
Actuarial loss - changes in financial assumptions	**1,356,826**	–
Actuarial (gain) loss - experience adjustment	**629,344**	(4,429,319)
Balance at end of year	**₱23,532,523**	₱14,986,602

Movements in the retirement liability as shown in the consolidated statements of financial position are as follows:

	2013	2012 (As restated - see Note 3)
Balance at beginning of year	**₱14,986,602**	₱14,142,082
Retirement expense	**6,559,751**	5,273,839
Actuarial (gain) loss	**1,986,170**	(4,429,319)
Balance at end of year	**₱23,532,523**	₱14,986,602

The accumulated unrealized actuarial gains recognized in other comprehensive income as at December 31 follows:

	Accumulated Unrealized Actuarial gains	Deferred Tax	Net
Balance as at January 1, 2013	**₱4,924,480**	**₱1,477,344**	**₱3,447,136**
Actuarial loss	**(1,986,170)**	**(595,851)**	**(1,390,319)**
Balance as at December 31, 2013	**₱2,938,310**	**₱881,493**	**₱2,056,817**
Balance as at January 1, 2012	₱495,161	₱148,548	₱346,613
Actuarial gain	4,429,319	1,328,796	3,100,523
Balance as at December 31, 2012	₱4,924,480	₱1,477,344	₱3,447,136

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2013	2012
Discount rate	**4.95%**	5.66%
Salary projection rate	**5.00%**	5.00%
Average remaining service years	**22.3%**	22.3%

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2013 are presented below.

		Effect on PVRO	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2013	+1%	**₱2,289,304**	₱2,115,818
	-1%	**(1,856,606)**	(1,760,466)

The expected future benefit payments are as follows:

Financial Year	Amount
2014	₱10,074,600
2015	–
2016	–
2017	2,974,309
2018	2,796,929
2019-2023	8,123,419

19. Lease Commitments

Operating Lease Commitments - Group as Lessee
The Parent Company is a lessee under non-cancellable operating leases covering office space and land where its model unit is situated. The leases have terms ranging from three to five years, with renewal options, and provisions for escalation.

The future minimum rental payables under these non-cancellable operating leases are as follows:

	2013	2012	2011
Within one year	**₱13,104,432**	₱7,776,987	₱7,294,381
After one year but not more than five years	**9,918,733**	4,129,230	15,183,741
	₱23,023,165	₱11,906,217	₱22,478,122

The total rental expense recognized from these operating leases amounted to ₱19.4 million, ₱13.1 million and ₱11.1 million in 2013, 2012 and 2011, respectively (see Note 15).

Operating Lease Commitments - Group as Lessor
The Parent Company is a lessor under cancellable operating leases with Ayala Property Management Corporation covering parking space. The lease term shall be for indefinite period of time until either party terminates the agreement by giving at least thirty (30) days prior written notice to the other party.

The rental shall be seventy percent (70%) of the net operating income from parking operations of the leased premise per one month period.

The total rental income recognized from this operating lease amounted to ₱2.9 million, ₱3.8 million and ₱3.1 million in 2013, 2012 and 2011, respectively (see Note 17).

20. **Income Taxes**

The components of income tax expense (benefit) are as follows:

	2013	2012	2011
Reported in Profit or Loss			
Current income tax:			
RCIT	**₱38,439,933**	₱–	₱–
MCIT	**–**	8,235,412	6,279,470
Final taxes	**1,808,898**	36,393,987	471,065
	40,248,831	44,629,399	6,750,535
Deferred income tax	**39,340,040**	12,711,047	(96,671,688)
	₱79,588,871	₱57,340,446	(₱89,921,153)
Reported in Other Comprehensive Income			
Deferred tax expense (benefit)			
Related to accumulated unrealized actuarial gain (loss)	**595,851**	(1,328,796)	(148,548)
	₱595,851	(₱1,328,796)	(₱148,548)

The reconciliation between the income tax expense (benefit) based on statutory income tax rate and effective income tax rate reported in the consolidated statements of comprehensive income is as follows:

	2013	2012	2011
Income tax computed at statutory tax rate	**₱108,782,619**	₱97,000,321	(₱24,898,444)
Tax effects of:			
Non-taxable income	**(56,689,332)**	(116,721,927)	(54,154,615)
Non-deductible expenses	**85,004,728**	94,238,630	386,365
Change in unrecognized deferred tax assets	**(58,140,741)**	(36,770,331)	(28,608,624)
Expired NOLCO	**1,546,968**	20,489,396	17,637,308
Income subjected to final tax	**(915,371)**	(909,493)	(376,664)
Expired MCIT	**–**	13,850	93,521
	₱79,588,871	₱57,340,446	(₱89,921,153)

The components of the Group's net deferred tax assets as at December 31, 2013 and 2012, respectively are as follows:

	2013	2012	2011
Deferred tax assets:			
NOLCO	**₱50,701,349**	₱50,701,349	₱36,184,460
Retirement liability	**7,059,757**	4,495,981	4,242,625
Allowance for doubtful accounts	**110,488**	110,488	–
Excess of taxable over financial gross profit on sale of real estate	–	27,142,521	57,990,390
Rent accrual	–	32,958	–
MCIT	–	–	4,388,407
	57,871,594	82,483,297	102,805,882
Deferred tax liabilities:			
Excess of financial over taxable gross profit on sale of real estate	**13,423,700**	–	–
Unrealized foreign exchange gain	**532,554**	–	–
Prepaid rent	**176,232**	–	–
Interest accrual	–	–	6,282,742
	14,132,486	–	6,282,742
Net deferred tax assets	**₱43,739,108**	₱82,483,297	₱96,523,140

The details of the Company's NOLCO and MCIT are as follows:

<u>NOLCO</u>

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2013	₱319,594,403	₱4,192,418	₱135,854,131	₱5,156,555	₱182,776,135	2016
2012	315,348,779	4,245,624	–	–	319,594,403	2015
2011	141,010,686	174,338,093	–	–	315,348,779	2014
2010	–	141,010,686	–	–	141,010,686	2013

<u>MCIT</u>

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Balance at End of Year	Valid Until
2013	₱17,095,261	₱–	₱17,095,261	₱–	–
2012	8,859,849	8,235,412	–	17,095,261	2015
2011	2,580,379	6,279,470	–	8,859,849	2014
2010	–	2,580,379	–	2,580,379	2013

The Group did not recognize the deferred tax assets on the following items since management believes that these items will not be realized in the future:

	2013	2012
NOLCO	**₱4,131,492**	₱45,176,972
MCIT	**–**	17,095,261
	₱4,131,492	₱62,272,233

21. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2013	2012	2011
Net income	**₱283,019,859**	₱265,993,957	₱6,926,340
Divided by weighted average number of outstanding common shares	**5,318,095,199**	5,318,095,199	3,563,531,866
Earnings per share	**₱0.0532**	₱0.0500	₱0.0019

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three years presented.

22. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, deposits, accounts and other liabilities (except statutory liabilities) and loans payable. The main purpose of these financial instruments is to finance the Group's operations.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Group's exposure to foreign currency risk is minimal, as it does not enter into transactions in currencies other than its functional currency.

Credit Risk

Credit risk is the risk that the Group will incur a loss because its counterparties fail to discharge their contractual obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. As of December 31, 2012 and 2011, there were no significant credit concentrations.

With respect to credit risk arising from the other financial assets of the Group, which are composed of cash, receivables and deposits, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

The table below shows the gross maximum exposure to credit risk for the components of the Group's consolidated statements of financial position, before taking into consideration any collateral and credit enhancements:

	Note	**2013**	2012
Cash and cash equivalents*	6	**₱574,578,266**	₱335,697,042
Trade and other receivables**	7	**1,238,228,797**	662,403,989
Amounts held in escrow	11	**28,383,938**	57,857,382
Deposits	11	**26,716,979**	22,262,114
		₱1,867,907,980	₱1,078,220,527

**Excludes cash on hand amounting to ₱30,000 as at December 31, 2013 and 2012.*
***Excludes advances for project development and advances to employees amounting to ₱177,885,980 and ₱138,874,464 as at December 31, 2013 and 2012, respectively.*

The Group's credit risk is primarily attributable to its contracts receivables and other financial assets. The credit quality of the Group's financial assets is managed using internal credit ratings. The tables below show the credit quality by class of financial assets based on the Group's credit rating system and aging of past due but not impaired financial assets.

	2013						
	Neither Past Due nor Impaired		**Past Due but not Impaired**				
	High Grade	**Standard Grade**	**Less than 1 year**	**1-2 years**	**2-3 years**	**over 3 years**	**Total**
Cash and cash equivalents*	**₱574,578,266**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱574,578,266**
Trade and other receivables**	**1,237,860,505**	**–**	**–**	**–**	**–**	**368,292**	**1,238,228,797**
Amounts held in escrow	**28,383,938**	**–**	**–**	**–**	**–**	**–**	**28,383,938**
Deposits	**26,716,979**	**–**	**–**	**–**	**–**	**–**	**26,716,979**
	₱1,867,539,688	**₱–**	**₱–**	**₱–**	**₱–**	**₱368,292**	**₱1,867,907,980**

**Excludes cash on hand amounting to ₱30,000.*
***Excludes advances for project development and advances to employees amounting to ₱177,885,980.*

	2012						
	Neither Past Due nor Impaired		Past Due but not Impaired				
	High Grade	Standard Grade	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Cash and cash equivalents*	₱335,697,042	₱–	₱–	₱–	₱–	₱–	₱335,697,042
Trade and other receivables**	657,274,281	4,761,416	–	–	–	368,292	662,403,989
Amounts held in escrow	–	57,857,382	–	–	–	–	57,857,382
Deposits	–	22,080,760	181,354	–	–	–	22,262,114
	₱992,971,323	₱84,699,558	₱181,354	₱–	₱–	₱368,292	₱1,078,220,527

**Excludes cash on hand amounting to ₱30,000.*
***Excludes advances for project development and advances to employees amounting to ₱138,874,464.*

Financial instruments classified as "high grade" are those cash transacted with reputable local banks and receivables with no history of default on the agreed contract terms. Financial instruments classified as "standard grade" are those receivables from customers who need to be reminded of their dues. Past due but not impaired are items with history of frequent default, nevertheless, the amounts are still collectible.

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2013 and 2012:

	2013					
	Due and Demandable	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Loans Payable	₱–	₱828,491,467	₱511,174,359	₱421,239,923	₱8,956,162	₱1,769,861,911
Accounts Payable and other liabilities*	425,526,828	–	–	–	–	425,526,828
	₱425,526,828	₱828,491,467	₱511,174,359	₱421,239,923	₱8,956,162	₱2,195,388,739

**Excludes nonfinancial liabilities amounting to ₱571,728,207 as at December 31, 2013.*

	2012					
	Due and Demandable	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Loans Payable	₱–	₱979,551,966	₱285,000,000	₱225,000,000	₱13,658,550	₱1,503,210,516
Accounts Payable and other liabilities*	279,020,163	–	–	–	–	279,020,163
	₱279,020,163	₱979,551,966	₱285,000,000	₱225,000,000	₱13,658,550	₱1,782,230,679

**Excludes nonfinancial liabilities amounting to ₱517,439,982 as at December 31, 2012.*

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flow from operations. All financial liabilities of the Group, which consist of payable to clearing house, brokers and customers and accounts payable and other liabilities (excluding taxes payable to government agencies), are payable on demand.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks subject to floating interest rates are exposed to cash flow interest rate risk. The re-pricing of these instruments is done on intervals of three months. On the other hand, the Group's other loans payable to local banks and financing institutions subject to fixed interest rate are exposed to fair value interest rate risk.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's net income.

23. Fair Value Measurement

The table below presents a comparison of the carrying amounts and fair values of all of the Group's financial instruments as at December 31, 2013 and 2012.

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	₱574,608,266	₱574,608,266	₱335,697,042	₱335,697,042
Trade and other receivables	1,238,228,797	1,238,228,797	662,403,989	662,403,989
Amounts held in escrow	28,383,938	28,383,938	57,857,382	57,857,382
Deposit	26,716,979	26,716,979	22,262,114	22,262,114
	₱1,867,937,980	₱1,867,937,980	₱1,078,220,527	₱1,078,220,527
Financial liabilities:				
Loans payable	₱1,769,861,911	₱1,769,861,911	₱1,503,210,516	₱1,511,276,554
Accounts payable and other liabilities	425,526,828	425,526,828	279,020,163	279,020,163
	₱2,195,388,739	₱2,195,388,739	₱1,782,230,679	₱1,790,296,717

The carrying amounts of financial assets and accounts payable and other liabilities approximate their fair values due to the short-term nature of these financial instruments. Interest-bearing loans payable includes accrued interest in the estimation of its fair value.

All of the Company's financial instruments are classified under level 3 of fair value hierarchy.

24. Classification of Statement of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2013 and 2012 are as follows:

	Note	2013	2012
Current Assets			
Cash and cash equivalents	6	₱574,608,266	₱335,727,042
Trade and other receivables	7	1,416,114,777	801,278,453
Real estate for sale	8	1,388,489,169	1,554,389,856
Other assets*	11	177,976,729	174,906,991
		₱3,557,188,941	₱2,866,302,342

**Includes creditable withholding taxes, amounts held in escrow, input VAT, deferred input VAT and prepayments.*

	Note	2013	2012
Current Liabilities			
Loans payable-current portion	12	₱828,491,467	₱979,551,966
Accounts payable and other liabilities	13	997,255,035	796,460,145
		₱1,825,746,502	₱1,776,012,111

25. Reclassification of Accounts

In 2013, the Group reclassified an unsubdivided land and related development costs from "Real estate for sale" account to "Investment properties" account (see Note 9). The Group determined that these assets are to be held for rental to others and are properly classified as investment properties. The 2012 consolidated financial statements were reclassified to conform with the presentation in the current year consolidated financial statements.

The financial effect of the reclassification is a decrease in "Real estate for sale" account and an increase in "Investment properties" account amounting to ₱495.7 million as at December 31, 2012 and January 1, 2012.

26. Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2013	2012 (As restated - see Note 3)
Total liabilities	**₱2,790,649,469**	₱2,314,657,263
Total equity	**1,563,671,155**	1,325,253,997
Debt-to-equity ratio	**1.78:1.00**	1.75:1.00

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

27. Segment Reporting

The Group is organized into one reportable segment which is development and sale of real estate. The Group also has one geographical segment and derives all its revenues from domestic operations. All of the Group's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City 1200 Philippines
www.reyestacandong.com
Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

**REPORT OF INDEPENDENT AUDITOR
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at and for the year ended December 31, 2013, on which we have rendered our report dated March 10, 2014.

In compliance with Securities Regulations Code Rule 68, we are stating that the Company has 2,056 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

Carolina P. Angeles
CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 0658-AR-1 Group A
Valid until March 30, 2014
BIR Accreditation No. 08-005144-7-2013
Valid until November 26, 2016
PTR No. 4232810
Issued January 2, 2014, Makati City

March 10, 2014
Makati City, Metro Manila

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

PHINMA Plaza
39 Plaza Drive, Rockwell Center
Makati City 1200 Philippines
www.reyestacandong.com
Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

REPORT OF INDEPENDENT AUDITOR ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2013, included in this Form 17-A and have issued our report thereon dated March 10, 2014. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Financial Soundness Indicators
- Adoption of Effective Accounting Standards and Interpretations
- Supplementary Schedules as Required by Part II of SRC Rule 68 as Amended
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Conglomerate Map

These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as amended and are not part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

Carolina P. Angeles
CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 0658-AR-1 Group A
Valid until March 30, 2014
BIR Accreditation No. 08-005144-7-2013
Valid until November 26, 2016
PTR No. 4232810
Issued January 2, 2014, Makati City

March 10, 2014
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2013

Below is a schedule showing financial soundness indicators in the years 2013 and 2012.

	2013	2012
Current/Liquidity Ratio	**1.95**	1.61
Current assets	**₱3,557,188,941**	₱2,866,302,342
Current liabilities	**1,825,746,502**	1,776,012,111
Solvency Ratio	**0.11**	0.12
Net loss before depreciation	**320,102,849**	283,761,240
Total liabilities	**2,790,649,469**	2,314,657,263
Debt-to-equity Ratio	**1.78**	1.75
Total liabilities	**2,790,649,469**	2,319,581,744
Total equity	**1,563,671,155**	1,325,253,997
Asset-to-equity Ratio	**2.78**	2.75
Total assets	**4,354,320,624**	3,639,911,260
Total equity	**1,563,671,155**	1,325,253,997
Interest rate coverage Ratio	**5.63**	5.54
Pretax income before interest	**440,908,415**	394,609,996
Interest expense	**78,299,685**	71,275,593
Profitability Ratio	**0.18**	0.20
Net income	**283,019,859**	265,993,957
Total equity	**₱1,563,671,155**	₱1,325,253,997

ARTHALAND CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2013

Title	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 (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards [superseded by PFRS 1 (Revised)]	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	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			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
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	✓		
	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 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
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	✓		
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	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
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	Title	Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
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			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
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			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	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			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE INTERPRETATIONS

No.	Title	Adopted	Not Adopted	Not Applicable
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			✓
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 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			✓

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

PHILIPPINE INTERPRETATIONS - SIC

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-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets			✓
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			✓

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68 AS AMENDED
DECEMBER 31, 2013

Table of Contents

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTES)
DECEMBER 31, 2013

There are no receivables which are considered outside of the Company's ordinary course of business.

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2013

			Deductions		Ending Balance		
Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off/sold	Current	Not current	Balance at end of period
Advances to subsidiaries:							
Urban Property Holdings, Inc. (UPHI)*	₱122,803,132	₱2,447,743	(₱66,800,000)	–	58,450,875	–	**₱58,450,875**
Manchesterland Properties, Inc. (net of allowance for impairment amounting to ₱3,261,249)**	17,174,741	3,591,027	(1,000,000)	–	19,765,768	–	**19,765,768**
Cazneau, Inc.***	147,914	79,717	(147,900)	–	79,731	–	**79,731**
Emera Property Management, Inc.***	147,286	80,789	(147,200)	–	80,875	–	**80,875**
	₱140,273,073	₱6,199,276	(₱68,095,100)	₱–	₱78,377,249	₱–	**₱78,377,249**

*The Company has subscribed additional 200,000 common shares from UPHI at ₱329 per share which shall be paid by applying ₱65.8 million of the outstanding advances as at December 31, 2013. The Company has collected ₱1.0 million of the outstanding advances as at December 31, 2013.
**The Company has collected ₱1.0 million of the outstanding advances as at December 31, 2013.
***Advances to Cazneau and Emera were applied to subscriptions payable to the respective subsidiaries representing 1,479 shares and 1,472 share at ₱100 par value

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2013

Description	Beginning Balance	Additions at cost	Deductions		Ending Balance	
			Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)*	Balance at end of period
Other Assets - Goodwill	₱945,034	₱–	₱–	₱–	₱–	₱945,034
Allowance for Impairment	(945,034)	–	–	–	–	(945,034)
Carrying amount	₱–	₱–	₱–	₱–	₱–	₱–

*Pertains to impairment loss recognized in 2013.

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2013

			Amount shown under caption "Long-Term Debt" in related statement of financial position			
Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Face Amount	Interest Rate(s)	Number of Periodic Payments	Maturity Dates
Bank Loans						
Bank 1	–	₱–	₱510,000,000	7.388%	Nine quarterly payments	January 2015
Bank 2 – A	–	200,000,000	–	5.850%	One-time Lumpsum	January 2014
Bank 2 – B	–	160,000,000	–	5.929%-6.125%	One-time Lumpsum	January 2014
Bank 2 – C	–	160,000,000	–	5.929%-6.125%	One-time Lumpsum	January 2014
Bank 2 – D	–	80,000,000	–	5.929%-6.125%	One-time Lumpsum	January 2014
Bank 2 – various	–	–	431,370,444	9.00%-11.750%	36-60 monthly payments depending on the agreed term	
Bank 3	–	150,000,000	–	5.600%-6.000%	One-time Lumpsum	May 2014
Various Loan from private funders	–	78,491,467	–	5.000%-6.500%	One-time Lumpsum renewable on maturity	January-February 2014
		₱828,491,467	₱941,370,444			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2013

The Company has no outstanding loans from related parties.

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2013

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	–	–	9	5,318,095,190

ARTHALAND CORPORATION

RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS

DECEMBER 31, 2013

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		₱201,096,505
Add: Net income actually earned/realized during the period		
Net Income during the period closed to Retained Earnings	₱378,045,743	
Less: Non-actual/unrealized net income net of tax		
Equity in net income of Associate income	–	
Unrealized foreign exchange gain	–	
Fair value adjustment (M2M gains)	–	
Adjustment due deviation from PFRS/GAAP	–	
Sub-total	378,045,743	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
	378,045,743	
Net Income actually earned during the period		378,045,743
Add (Less):		
Dividend declarations during the period	(₱63,817,142)	(63,817,142)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		₱515,325,106

CONGLOMERATE MAP