AyalaLand

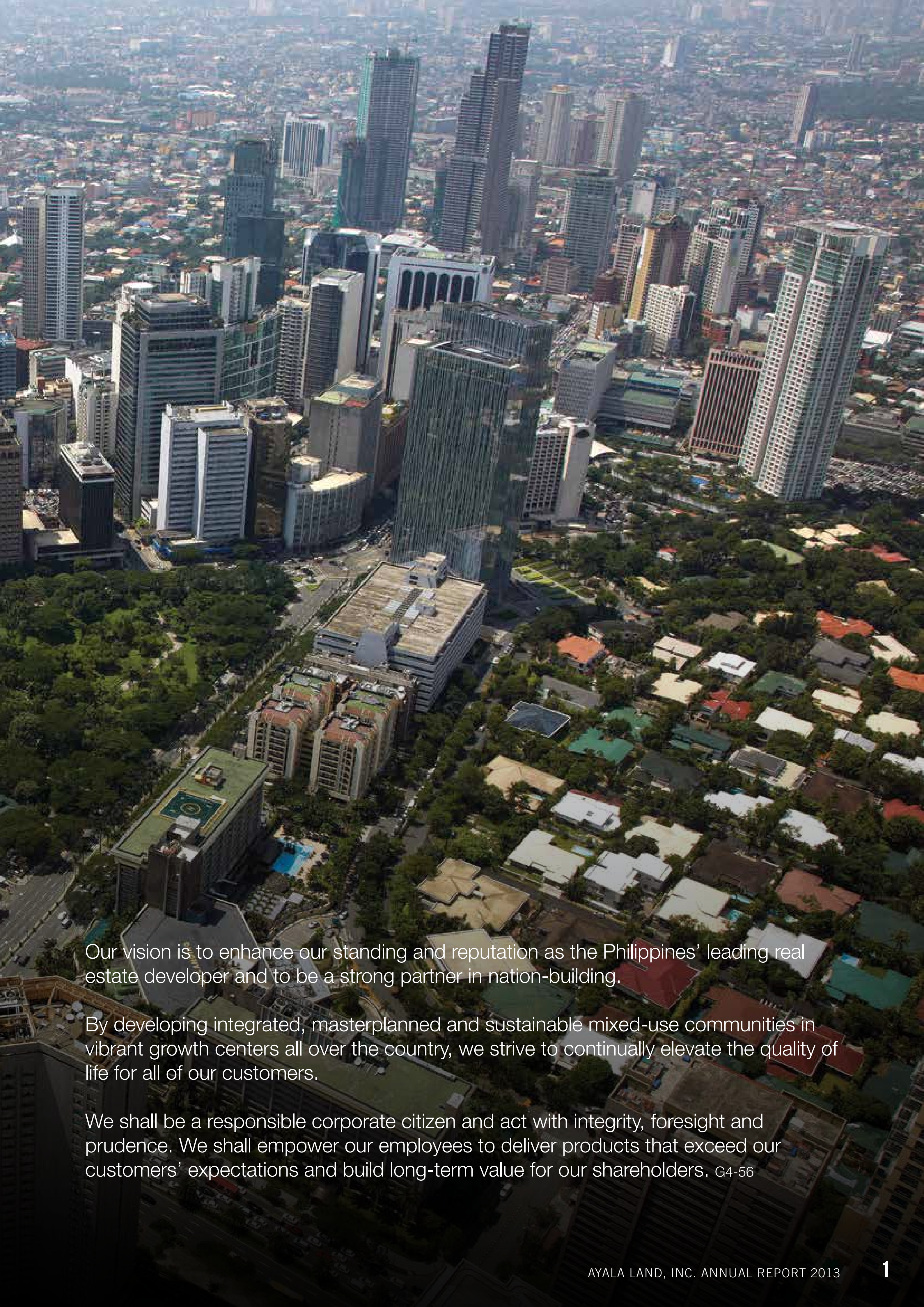
2013 Annual Report

20 MILLION HOUSEHOLDS

CREATING VALUE FOR MORE FILIPINOS

With 20 million households[1] and an annual population growth rate of 1.7%[2], the Philippines is a promising platform for growth today and the coming generations. Attuned to the spirit of Filipino families, Ayala Land addresses the needs of these households for quality homes and supports their pursuits with its diverse portfolio of retail, office, hotels and resorts offerings and services.

[1] Based on the Philippine Statistics Authority estimate
[2] Based on World Bank 2012 data



Our vision is to enhance our standing and reputation as the Philippines' leading real estate developer and to be a strong partner in nation-building.

By developing integrated, masterplanned and sustainable mixed-use communities in vibrant growth centers all over the country, we strive to continually elevate the quality of life for all of our customers.

We shall be a responsible corporate citizen and act with integrity, foresight and prudence. We shall empower our employees to deliver products that exceed our customers' expectations and build long-term value for our shareholders. G4-56

ABOUT THIS REPORT

G4-17, G4-28, G4-31, G4-32

This 2013 Integrated Report captures how Ayala Land creates value for its various stakeholders expressed in terms of financial results, environmental stewardship and community-building. Starting with this 2013 report, we embed the sustainability practices in the individual disclosures of our core business units. This approach better reflects how each business unit contributes to the sustainability performance of the entire Company.

This report includes the financial disclosures, corporate governance practices and material indicators of Ayala Land, Inc., Ayala Land Premier, Alveo Land Corporation, Avida Land Corporation, Amaia Land Corporation, BellaVita Land Corporation, Ayala Hotels and Resorts Corporation, Makati Development Corporation and Ayala Property Management Corporation. We also report on the greenhouse gas emissions and carbon footprint data of properties within our operational control. We do this to demonstrate our Company's commitment to global efforts to address climate change and to transparent, accurate reporting.

This report has been prepared in accordance with the Global Reporting Initiative's (GRI) G4 framework's Comprehensive Guidelines and complies with the Asia-Pacific Real Estate Association Best Practices Handbook. On page 116, TUV Rheinland publishes its assurance report covering 34 environmental key performance indicators (KPIs), 11 society KPIs and eight Construction and Real Estate Sector-specific KPIs.

MATERIALITY MATTERS

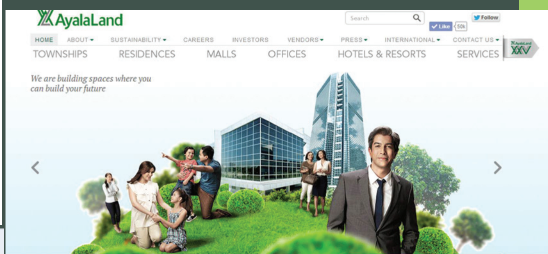
Global Reporting Initiative™

AT THE TIME OF PUBLICATION THE G4-17 TO G4-27 DISCLOSURES WERE CORRECTLY LOCATED IN THIS G4 CONTENT INDEX AND FINAL REPORT.

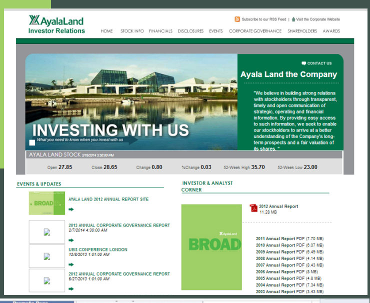
2014

This report may be downloaded from our websites www.ayalaland.com.ph and ir.ayalaland.com.ph. You may contact us about this report via email at integratedreport@ayalaland.com.ph. You may also reach us at Facebook.com/OfficialAyalaLand and on Twitter @ayala_land_inc.

CORPORATE WEBSITE
www.ayalaland.com.ph



INVESTOR RELATIONS WEBSITE
ir.ayalaland.com.ph



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INSIDE

2013 In Review
Read the messages from our Chairman, President and Chief Executive Officer, and Chief Finance Officer on pages 6-21.

Business Review
The financial highlights and specific sustainability accomplishments of each of our business units are discussed in this section, which begins on page 22.

Corporate Governance
We elaborate on our good governance practices and risk management program starting on page 56.

Sustainability Index
This year, we publish a comprehensive sustainability index with a discussion of our material performance indicators based on GRI-G4 Guidelines. Read about it on pages 74-117.

Financial Report
Management's discussion and analysis of our 2013 financial performance and your Company's audited financial statements can be found in this section, which begins on page 118.

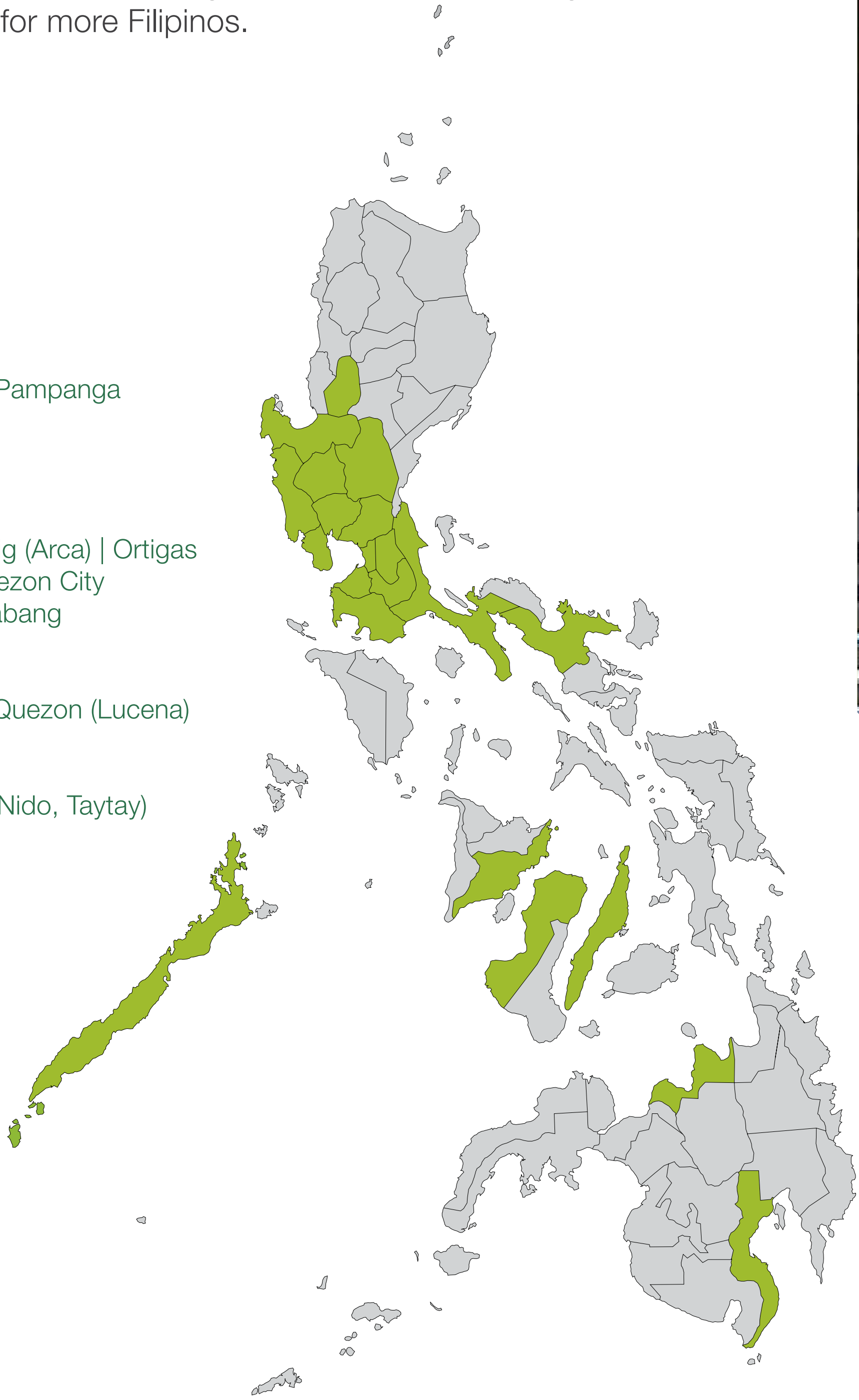
OUR COMPANY

G4-3, G4-5, G4-6, G4-8, G4-9

Ayala Land is the leading, most diversified and fully integrated property developer in the Philippines. We are well known for large-scale, masterplanned, mixed-use and sustainable communities that become thriving economic centers in their respective regions.

Following the success of the Makati Central Business District, we have created Alabang Business District, Cebu Park District, Bonifacio Global City, NUVALI and other growth centers. These serve as platforms for Ayala Land's full line of real estate products that generate value over time. We are also the first property developer to introduce practices that promote sustainable land development, from solid waste and storm water management to local community engagement.

We are committed to fulfill our role as a strong partner in nation-building as we enhance land and enrich lives for more Filipinos.



NORTHERN LUZON
Baguio | Pangasinan

CENTRAL LUZON
Tarlac | Bataan | Zambales (Subic) | Pampanga
Bulacan (SJDM & Malolos)

METRO MANILA
Makati | Bonifacio Global City | Taguig (Arca) | Ortigas
Pasig | Mandaluyong | Marikina | Quezon City
Valenzuela | Manila | Parañaque | Alabang

CALABARZON
Rizal | Cavite | NUVALI | Batangas | Quezon (Lucena)

SOUTHERN LUZON
Camarines Sur (Naga) | Palawan (El Nido, Taytay)

VISAYAS
Cebu | Negros Occidental | Iloilo

MINDANAO
Cagayan de Oro | Davao

31 Growth CENTERS

across the country

8,453 HECTARES

of developable land

CHAIRMAN'S MESSAGE

G4-1, G4-2

My Fellow Shareholders,

2013 marked the 25th anniversary of Ayala Land. Through a quarter of a century, our Company has earned the trust of its customers and its place as one of the most respected real estate developers in the country today.

From our early projects such as the Makati business district, the Ayala Center Makati, the Ayala Alabang Village, the Cebu Business Park and recently Bonifacio Global City and NUVALI, our Company has constantly redefined the standard of quality in Philippine real estate. Through the years, we have proven our development model of building integrated communities that appreciate over time, creating value for our customers and shareholders. As a Company that has weathered many property cycles, we have emerged not only bigger, but also stronger over the years.

We can all take great pride in ALI's accomplishments. We have built Makati City to be the country's premier business district, thriving with economic activity that contributes to our nation's progress. Our takeover of Bonifacio Global City has likewise resulted in the dramatic transformation of raw land into the vibrant community that it is today. Today, all across the country, we are rolling out township developments that are catalysts for progress in areas outside Metro Manila. I believe this is the best way our company can foster more inclusive growth, as we help stimulate economic activity in less-developed areas. In addition, we are able to prepare communities to join the workforce through social assessments and coordination with local institutions.

Across its developments, Ayala Land remains at the forefront of sustainable business practices. We constantly improve our practices to be at par with the best across the globe. In all our business decisions, we endeavor to balance our triple bottom-line goal of ensuring profitability while preserving the environment and protecting the welfare of the communities in and around our developments. Ayala Land also responds to climate and geological challenges. We make a careful assessment and selection of land, focusing on storm water, geo-hazard sensitivity and resource efficiency. We undertake rigorous due diligence and planning processes that conform to best practices. This is extremely important in light of the series of devastating natural calamities that hit our country in recent times. The knowledge and awareness gained from these studies have helped keep many of our developments safe from such calamities and have allowed us to focus on providing assistance to many of the affected communities.

As we look to the future, we must continue to preserve the same values of integrity and excellence from which Ayala Land was built. These values are the pillars and foundation of the Ayala brand that have allowed us to achieve so much in the past 25 years. We see a promising future for our company and our country. The favorable demographics and solid macro-economic fundamentals put the Philippines in a unique growth trajectory. The anticipated increase in GDP per capita will support Ayala Land's residential, shopping center, hotels and office businesses.

We thank the Ayala Land team, most especially Tony Aquino, who provided exceptional leadership for the company at a critical time when he assumed the presidency in 2009. Tony Aquino has been part of Ayala since 1980. He spent many years running our property management group, the Ayala Property Management Corp. He transitioned to become part of the Manila Water team when we took over the water concession in the East Zone of Metro Manila in 1997. In 1999 he assumed the presidency of Manila Water. He accelerated the dramatic transformation of the operations of the company as well as the mindset and culture of employees who had been part of a government corporation for many years. He came back to Ayala Land at a critical time of intense competition and a business environment that was challenged by the uncertainties brought about by the global financial crisis. Since then he and the exceptional management team developed and shaped a clear vision, plan and goal for Ayala Land. His tireless energy and unique leadership skill rallied the entire organization to redefine its businesses and reinforce its dominance in the Philippine real estate market. Under his leadership, Ayala Land has once again become the largest and most diversified real estate company in the country. Today, the company maintains a distinct position as a prime developer of large tracts of mixed-use communities, unparalleled in design, concept and standard. Since Tony assumed leadership, we expanded our residential unit launches from only 2,229 in 2009 to 28,482 by 2013. We have almost tripled our net income from P4 billion to P11.7 billion. This put us ahead of the original plan set for the organization five years ago. As the market recognized this, our market capitalization in turn grew over 2.2 times from P159 billion to P351 billion. We have also raised dividend distributions and returns for all our shareholders. We thank Tony for his immeasurable contribution and the brand of leadership he has demonstrated throughout his term as President of Ayala Land.

Tony Aquino would not have been able to achieve these exceptional results without a very strong and committed executive management team. They have supported and executed the vision we have set for ourselves. We thank them for sharing the bold vision, for dramatically increasing the size of our company, its geographic reach and for broadening customer access to our products. As the test of a true leader is the ability to ensure the continuity of the organization beyond one's leadership, we are confident that Tony leaves Ayala Land under the solid leadership of Bobby Dy. We are confident that Bobby's experience, being with Ayala Land over the past 16 years, will keep Ayala Land on track with its vision and goals in the coming years.

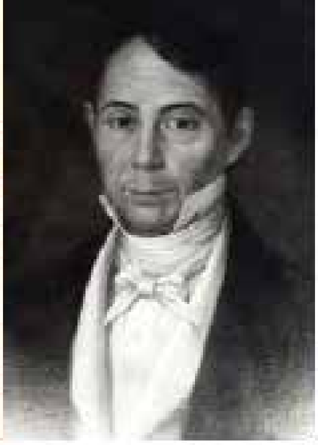
In closing, I thank the entire Ayala Land team, our investors, creditors, business partners and loyal customers who have likewise given their steadfast support through the years. We hope we can continue to count on you as we forge ahead into the company's next phase of growth, and remain true to our commitment to be a strong partner in nation-building.

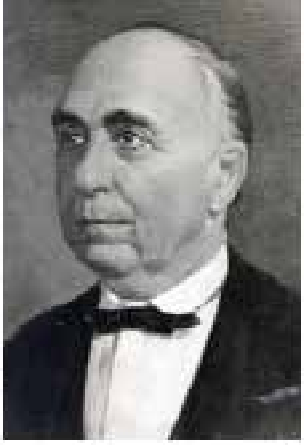
FERNANDO ZOBEL DE AYALA
Chairman

Ayala 180 Years

A Brief History of the Philippines' Longest-Lasting Business House

Ayala in 2014 celebrates its 180th year. How it evolved into one of the largest and most innovative Philippine conglomerates—with businesses ranging from real estate, financial services, and telecommunications to investments in water, electronics, automotive, international operations, business process outsourcing, power, and transport infrastructure—is the longest narrative in the country's business history.





The story begins in 1834 in what was Las Islas Filipinas. At a time Manila's business houses were engaged mainly in executing customers' orders for buying and selling of commodities for a fee, landowner and entrepreneur Domingo Roxas and his young industrial partner Antonio de Ayala created a company that would engage in agribusiness.

They built a distillery to derive greater value from cane sugar. It was at first small and crude; and yet it was more: It represented a Philippine step from the purely agricultural to the little-unexplored realm of industry.

When it had grown and become well known, the distillery exported various products to Europe and garnered awards and recognition for their quality. Validated was another idea well ahead of its time: that an enterprise in the rural and remote Philippines could compete in the international arena and win. Its bestselling brand, *Ginebra San Miguel,* remains today.

When a Spanish royal decree established El Banco Español-Filipino de Isabela II, Southeast Asia's first private commercial bank, Antonio de Ayala was appointed director representing the Manila business community. Thus began the Ayala involvement in banking. Banco Español-Filipino—which issued the first Philippine paper currency—later became Bank of the Philippine Islands.

One of De Ayala's sons-in-law was the multitalented Jacobo Zobel: businessman, numismatist, archaeologist, writer; mayor of Manila at age 30; he read and spoke 11 languages, including Arabic and Etruscan. While engaged in the family business and serving on the Banco Español-Filipino board, he introduced the first streetcar system in Manila.

After the turn of the 20th century, the tramcar service was sold to an American company that renamed it Manila Electric Railway and Light Co., or MERALCO. The distillery was also sold, to businessman Carlos Palanca; at the time, it had 3,000 employees, including Filipino and French scientists. It had become a de facto incubator of the country's chemical industry.

INTO MODERN TIMES

A decision attributed to Roxas' son Jose Bonifacio was the purchase of land in San Pedro de Makati that extended all the way to the banks of the Pasig River. The property was deemed to have little value and had undergone a series of ownership changes when the company bought it for ₱52,800 in 1851.

When the family's assets were apportioned in 1914, the Makati property went to the cousins Jacobo, Alfonso, and Mercedes Zobel de Ayala. They and their successors would bring Ayala to what it is today.

Mercedes' husband, Col. Joseph McMicking, provided a new vision for Ayala, and for developing what remained of the Makati property. The venture was uncertain and at first difficult. When success came, it signified an unprecedented leap in the evolution of local real estate development. From it emerged the Philippines' first modern Central Business District.

Ayala moved further from being a family business to being more corporate in character. After a century of relying on its patriarchs, matriarchs, and sons-in-law to chart its course, it harnessed external talent. It incorporated in 1968 and became publicly listed in 1976.

With professional teams, Colonel McMicking and his successors in management—Jacobo's son Enrique Zobel and Alfonso's son Jaime Zobel—steered Ayala to great success in the 20th century. Today, Jaime Augusto and Fernando Zobel de Ayala share leadership of a modern conglomerate with a much broader impact on the life of the nation.

BEYOND 180 YEARS: ENABLING ENTREPRENEURSHIP

Ayala has found that the entrepreneurial spirit that has driven it for 18 decades is shared by many Filipinos, including merchants in its malls, retailers of Globe products, overseas workers' families that bank with BPI, residents' cooperatives in Manila Water's distribution zone, and micro-entrepreneurs who benefit from BanKO's microfinance services. As Ayala continues its expansion and diversification, it keeps an enthusiastic eye for the many thousands of people who will begin and build their own businesses through the ones it creates.

"By emphasizing a social purpose, we achieve a more complete form of doing business and generate a cycle of prosperity," says the chairman and chief executive officer, Jaime Augusto Zobel de Ayala.

"We have always believed that the development of every individual foregrounds the development of the whole," adds his brother Fernando, president and chief operating officer.

Ayala's reputation for integrity, product and service quality, financial strength and prudence, and high professionalism has made it a partner of choice for major international corporations and the employer of choice for many of the best and brightest talents. The respect and trust it enjoys is deemed to have been earned by few other businesses in the Philippines, and these are the core values that it treasures the most.

The conglomerate's leadership, with Jaime Zobel de Ayala as chairman emeritus, constantly promotes these values, plus a very special one: a deeply held commitment to Philippine development and to the Filipino.

Ayala's narrative of pioneering innovation continues into a future full of new opportunity and promise.

To Our Dear Shareholders,

As we celebrate our 25th anniversary, we also take pride in how we have exceeded our 5-10-15 goal by generating a net income of P11.7 billion in 2013. This translates to a 30% compounded annual growth rate since 2009, and has practically tripled net income in four years. At the same time, your Company laid the foundation for your company's future growth. Each of our business units now has the organizational capability to grow their respective operations.

Our strategic landbank has more than doubled from 4,000 hectares to over 8,400 hectares in the last five years. These are strategically located in the areas that will benefit from the new infrastructure projects in Cavite, Bulacan and Pampanga. The Ayala Land of today has an integrated mixed-use development in all major areas across the country.

The Residential Business Group has significantly improved its overall market share. Ayala Land Premier (ALP) remains to be the dominant player in its market segment, and still continues to pursue growth in the coming years. Alveo and Avida have also grown significantly, and now contribute approximately the same sales value as ALP. In our effort to diversify our portfolio, we have started to operate in the economic and socialized housing

PRESIDENT'S MESSAGE

G4-2

segments, which are now being addressed by Amaia and BellaVita. These two residential brands are now producing 15,000 housing units per year, addressing the base of the population pyramid and improving the quality of life of many Filipinos. I expect that they will be the fastest growing of our residential segments in the coming years.

To complement the developmental business, we are implementing a balanced growth strategy that aims to likewise strengthen the recurring sources of our revenue base. All of our leasing business units are implementing their respective five-year plans. By 2014, the Ayala Malls Group will be able to launch double its leasable area from the level we had in 2009, and complete its product offerings with our new joint ventures for convenience stores, as well as mid-market department stores and supermarkets. Our office leasing portfolio will triple its size within the same period, with our aggressive launches for business process outsourcing buildings, and selective projects for headquarter-type facilities. Together with this, we will quadruple the number of rooms in our portfolio of internationally-branded hotels, Seda Hotels, and resort facilities.

We are also maximizing returns from our support businesses with the construction of district cooling facilities, as well as demand aggregation for the use of electricity in our mixed-use developments. Furthermore, the manufacturing of construction components has helped increase the margins of Makati Development Corporation.

The quality of our products has been maintained despite the rapid growth of the company, in terms of product, market and geographical reach. This can clearly be seen in Makati and Bonifacio Global City, and even in our remote developments in Anvaya, Cebu, Davao and Palawan. Perhaps more important than the physical quality of our developments, we continue to place great importance on customer service. This differentiates us from other players in the market, and was very evident in our management of the unfortunate incident at Serendra.

Our capital management program has resulted in a strong balance sheet that supported the expansion of our landbank, our investment properties and our development businesses. Over the past five years, we have successfully raised P26 billion from the equities market and P62 billion in debt, largely from the retail bond market. As a result, we are now in a healthy position to pursue further growth for the Company in the years to come.

Most importantly, we have proven our organizational capability with the smooth execution of our aggressive long-term plan in the past five years. These accomplishments were achieved with practically the same management team. Succession plans are in place, and there are dozens of aggressive and forward-looking CEOs that are well-placed in each of our strategic business units (SBUs). Within each of these SBUs are scores of young business development professionals who are implementing their respective growth agendas.

Sustainability initiatives have always been included in the way we conduct our business and this is highlighted by this year's fully integrated Annual and Sustainability Report. A significant part of our triple bottom-line target is to care for the communities within and outside our developments. For example, in response to the recent devastation caused by the super typhoon in the Visayas region, we are constructing 600 storm resilient homes and helping in the restoration of the fishing livelihood of the people in Northern Iloilo. By focusing our sustainability priorities to ensure disaster resilient and climate-sensitive land acquisition and development, we have minimized the impact of extreme weather events on our projects. Furthermore, through the expansion and diversification of our product lines and market base, we were able to provide a quarter of a million employment opportunities throughout our various value chains. In order to ensure continuous improvement in our sustainability initiatives, we continue to document and share best practices across product lines to address the continuing challenges brought about by climate change and the

“The quality of our products has been maintained despite the rapid growth of the company, in terms of product, market and geographical reach.”

geological conditions of the country, and use them to update our Book of Design and Sustainability Standards.

We are confident that with our business model of integrated mixed-use developments, the well-executed business plan, our quality products, a bigger landbank, solid balance sheet, proven organizational capability and sustainability strategy, we have a solid foundation that can take advantage of the opportunities presented by the country’s growth prospects. The past year’s achievements were only possible with your support and encouragement. I am confident that with your continued support, Ayala Land can continue to grow and serve more generations ahead.

ANTONINO T. AQUINO
President

FIVE-PILLAR STRATEGY SCORECARD

GROWTH

- Launched 81 projects worth 140 billion
- Record sales take-up of P91.9 billion
- Completed 136k sqm of shopping center and office GLA
- Added 534 room keys to hotels and resorts portfolio
- Launched two provincial growth centers in Quezon and Cebu
- Launched projects in four new estates – Vertis, Altaraza, Circuit, South Park District Alabang
- Launched Healthcare business, opened 31 FamilyMart stores
- Added 2,758 hectares of land

MARGIN IMPROVEMENT

- Generated savings through product standardization, vendor partnerships and international sourcing
- Increased EBIT margin to 26% from 25% in 2012
- Reduced GAE-to-revenue ratio to 7.3% from 7.9% the previous year

CAPITAL EFFICIENCY

- Paid P4.1 billion in dividends in 2013, equivalent to 45% of prior year's earnings
- Lowered average cost of debt to 5.1% from 5.4% and stretched average maturity to 6.3 years from 4.5 years in 2012
- Raised equity of P12.2 billion and retail bonds of P23 billion

ORGANIZATIONAL DEVELOPMENT

- Expanded coverage of Enterprise-wide Risk Management program
- Improved employee engagement rating in latest organizational climate survey
- Launched Corporate Social Responsibility initiatives in Zamboanga, Bohol and Iloilo

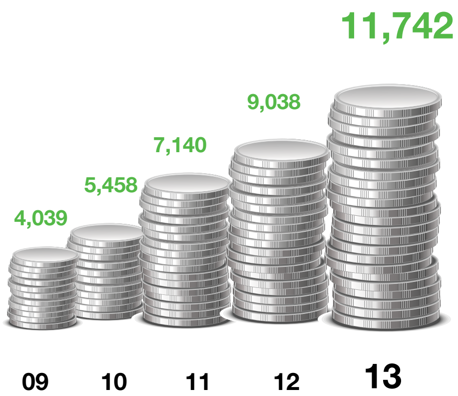
BRAND BUILDING

- Scored 3.5 out of 4 in Customer Service Surveys
- Continued to differentiate products versus other players

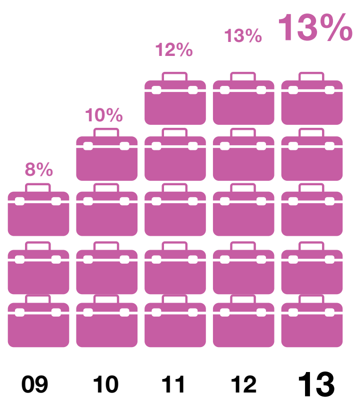
PERFORMANCE
HIGHLIGHTS

G4-9

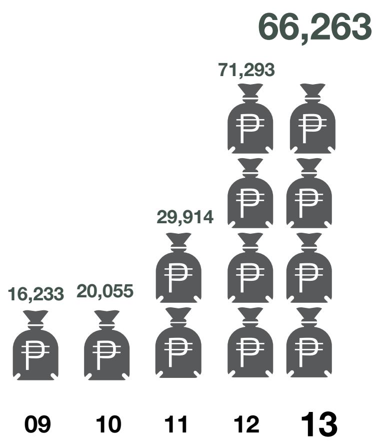
NET INCOME (IN MILLION PESOS)



RETURN ON EQUITY



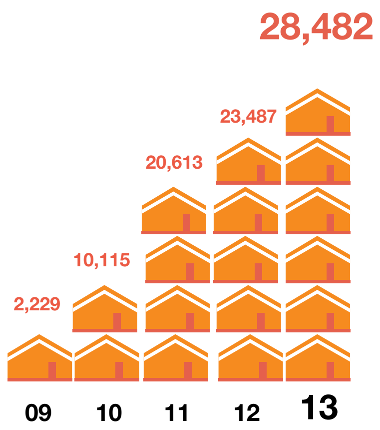
CAPITAL EXPENDITURES (IN MILLION PESOS)



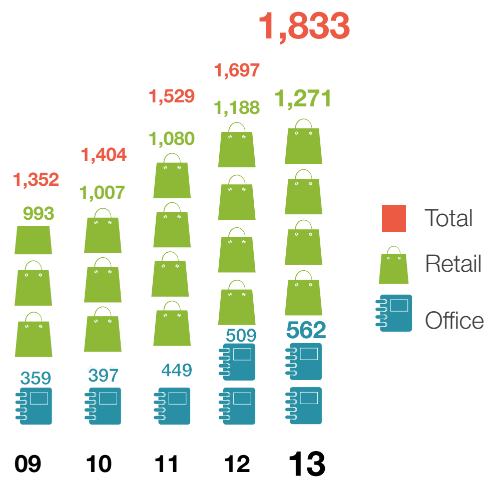
SUSTAINABILITY

Pioneer
in Integrated Reporting
based on Global Reporting
Initiative (GRI) – G4
guidelines

RESIDENTIAL UNITS LAUNCHED



COMMERCIAL AREAS LAUNCHED
GROSS LEASABLE AREA (IN THOUSAND SQM)



(in thousand pesos, unless otherwise indicated)	**2013**	2012 (As restated)****	2011 (As restated)****
STATEMENT OF INCOME			
Revenues	81,523,070	59,932,162	47,667,610
EBITDA*	24,114,592	16,616,784	15,122,764
Net Income (attributable to equity holders of ALI)	11,741,764	9,038,328	7,140,308
STATEMENT OF FINANCIAL POSITION			
Cash and Cash Equivalents**	40,777,520	32,138,588	27,480,619
Total Assets	325,473,685	254,115,680	166,398,998
Total Borrowings	101,901,885	74,778,063	39,041,001
Stockholders' Equity	112,097,566	95,540,214	75,980,327
STATEMENT OF CASH FLOWS			
Net Cash Provided by Operating Activities	27,238,649	8,422,529	9,913,005
Net Cash Provided by (Used in) Investing Activities	(69,952,151)	(54,914,554)	(15,026,185)
Net Cash Provided by (Used in) Financing Activities	38,557,555	51,328,434	12,790,907
CONSOLIDATED PROJECT AND CAPITAL EXPENDITURES (in billion pesos)	66.3	71.3	29.9
FINANCIAL RATIOS			
Current Ratio	1.45:1	1.41:1	1.64:1
Debt-to-Equity Ratio	1.04:1	0.91:1	0.63:1
Net Debt-to-Equity Ratio	0.61:1	0.51:1	0.19:1
Return on Equity***	13%	13%	12%
Return on Assets***	5%	5%	6%
STOCK INFORMATION			
Market Capitalization (in billion pesos, as of yearend)	351	364	198
Stock Price (per share, as of yearend)	24.75	26.45	15.16
Earnings per Share	0.84	0.68	0.55

* *Earnings before interest, taxes, depreciation and amortization*
** *Includes short-term investments and investments in UITF.*
*** *Return on average equity and average assets*
**** *Restated. Please refer to Note 2 of our 2013 Audited Financial Statements.*

REPORT OF THE CHIEF FINANCE OFFICER

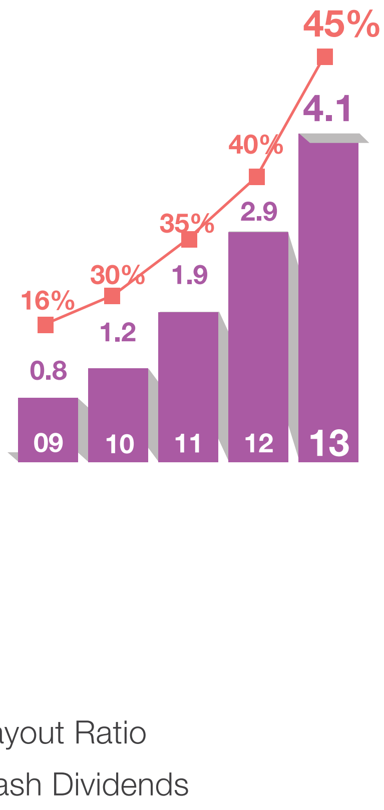
Our 25th year was marked with yet another significant milestone for the organization—that is, the achievement of the net income target under our five-year plan, one year ahead of schedule. The company ended 2013 with revenues of P81.5 billion and a net income of P11.7 billion, a first in our history. As we celebrate this accomplishment, we are likewise confident that we are well on our way towards meeting our 15% return on equity target in the near term. Our strategic land acquisitions, the launch of new townships and the addition of new business lines provide us the growth platform that will enable us to take advantage of the continued expansion of the Philippine economy, which continues to be supported by sound macro-economic fundamentals as well as strong economic drivers such as Overseas Filipino Workers' remittances, business process outsourcing revenues and increasing tourist arrivals.

The unprecedented expansion that we have witnessed in the last four years was borne out of a disciplined approach to growth, a steady focus on improving margins, a deliberate effort to enhance capital efficiency and a continued emphasis on developing the organization's capability to execute. In that period of time, while the company has more than doubled its net income, we have also put in place a more robust program to ensure sustainable growth while maintaining a healthy balance sheet.

In support of increased residential sales, we raised P2 billion from the issuance of the sixth tranche of our Homestarter Bond series. As you may already know, the incentives provided under the terms of these unique bonds are designed to encourage investors to purchase housing units from Ayala Land or any of its subsidiaries, and should help sustain the robust sales take-up of our residential business. These bonds have already generated P1.2 billion in sales since they were launched seven years ago. To ease the burden on our overseas buyers, we developed additional payment facilities in support of our international sales effort. Together with partners like BPI, Dragonpay, PayPilipinas, iRemit and PNB for their "Own a Philippine Home Loan Program", we provided additional payment channels for our overseas Filipino buyers, as we actively worked towards growing our share of that market which now accounts for 20% of our total booked residential sales.

Our efforts to further improve operating efficiencies in 2013 resulted in a 1%-point increase in EBIT margins for the company. Last year, the company made a concerted effort to achieve design-to-cost targets, and this was supported by our bulk purchase program for consolidated demand, made possible by the standardization of our inputs to construction. We continued our multi-year vendor partnering agreements for major commodities which now represent 48% of total construction cost. We also implemented an active yield management program to increase the profitability of our investment property portfolio. This was done alongside our continuing investment in district cooling systems through PhilEnergy, and electricity aggregation and supply through Direct Power, which provided cost-effective energy solutions to our mixed-use developments.

CASH DIVIDENDS AND PAYOUT RATIO



To further reduce cost and consolidate our shared services platform, we took over the operation of our shared service provider for transactional accounting processes.

To finance our land acquisition program and further strengthen our balance sheet, we issued P12.2 billion in equity through an overnight top up placement in March, ensuring that the company's funding adequately matches the development cycle of these assets. To further fund our capital expenditures, we raised P23 billion in retail bonds at very attractive terms. Given our reputation and track record, we were able to issue these bonds at rates lower than our peers—4.625% for the seven-year tenor, 5% for the 10-year paper, and 6% for the 20-year tranche. It is also worthwhile to note that our 20-year bond represents the longest debt paper issued by a corporate in Philippine history, demonstrating the confidence of the market in the long-term prospects of Ayala Land.

In order to further improve capital efficiency, we optimized the use of internally generated funds for our funding requirements. We also took advantage of the opportunities presented by the high liquidity in the market by shifting some of our long-term loans from floating to fixed rate, given the prospect of rising interest rates. We converted some of our short-term obligations into long-term liabilities, notably for our subsidiaries Alveo, Avida and Amaia.

We continued to improve on our enterprise-wide risk management program to enhance management's visibility on the risks that the Company faced, and facilitate our response in mitigating and managing the risks associated with the expansion of our business. We closely monitored the group's exposure to high-rise residentials and ensured that this is within an acceptable level that matches the Company's debt capacity. We updated our risk register, and added the risk assessment of our fast-growing hotels group. We further refined our insurance strategy to ensure adequate coverage in a cost-effective manner. We fully tested our business continuity program for the loss of premises scenario for all business units. These initiatives should help ensure stable operations and managed growth for the Company. Furthermore, we upgraded our information technology systems to improve management reporting and decision making, and allow approvals to be executed through mobile platforms.

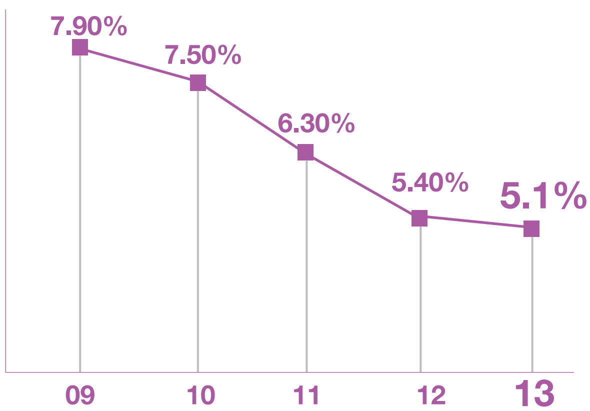
Through all of these activities, we continue to strive to enhance our corporate governance practices. Indeed, at the core of our values is the protection of the interest of all stakeholders. As such, we continue to ensure transparency in reporting, and make available all practicable channels by which company information is disseminated. In 2013, we launched the web-based version of our annual report to facilitate the search for information by our investing public. As part of our good governance practices, we enhanced our whistle blowing policy through our Business Integrity Line which provided an effective channel for our various stakeholders to report violations of ethical standards. We also continued with our risk-based, process-focused audit approach and implemented control self-assessment in the audit of the critical business processes, making the audit much more efficient and aligned with company goals.

In closing, I would like to thank the investing public for the solid support that they have shown for our equity and debt issuances this year. Our partner banks have likewise been very supportive of our initiatives, as with all our business partners and suppliers. We hope that we can continue to count on you as we boldly take on the next phase of our Company's expansion.

JAIME E. YSMAEL
Chief Finance Officer

"Through all of these activities, we continue to strive to enhance our corporate governance practices."

AVERAGE COST OF BORROWING



BUSINESS REVIEW

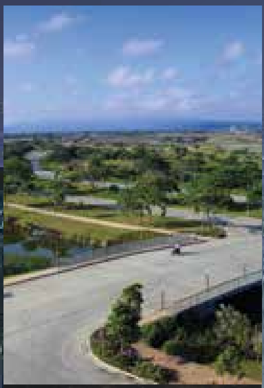
G4-4

PROJECTS

81

PROJECTS' VALUE

P140B



ESTATES

Chosen for their strategic location, attractive demographics, advanced infrastructure and rich economic potential, our 31 growth centers continued to serve as platforms for sustainable, productive and fully functional communities.

RESIDENTIAL BUSINESS

Ayala Land continued to address demand for quality housing for broader segments of the population with the successful expansion of our five residential brands: Ayala Land Premier, Alveo, Avida, Amaia and BellaVita.

SHOPPING CENTERS AND OFFICES

Ayala Malls expanded its gross leasable area (GLA) by launching an additional 249,000 sqm to meet robust consumer spending.

Ayala Land Offices Group met the growing demand for better office spaces in dynamic business centers with 562,000 sqm of office GLA.

HOTELS AND RESORTS

Ayala Hotels and Resorts continued to create value in a biodiversity hotspot such as the Philippines. It took advantage of increasing tourist arrivals with the addition of 534 room keys in its portfolio of hotels and resorts.

CONSTRUCTION AND PROPERTY MANAGEMENT

Makati Development Corporation remained a world-class builder of choice with 397 projects last year and a performance that exceeded its Safety, Quality, Time and Cost targets.

Similarly, Ayala Property Management Corporation's commitment to quality, sustainability, and world-class standards ensured competitive advantage and distinction for all its managed facilities.

ESTATES: ENHANCING LAND FOR GENERATIONS

Our large, integrated mixed-use estates have a reputation for evolving and growing in value over time. The successes of our estates—Makati, Bonifacio Global City (BGC), Cebu Park District and NUVALI—serve as the blueprints of our new developments such as Vertis North, Circuit Makati, Arca South, Altaraza and Alviera. New retail formats and better recreational and institutional facilities complete our Company's offerings as we respond to our customers' changing needs and lifestyles.

SIZABLE, STRATEGIC GROWTH. With 33% of our net income coming from new growth centers, Ayala Land continued to acquire strategic land parcels in 2013, bringing its total landbank to 8,453 hectares nationwide. These areas are located near infrastructure projects and serve as catalysts for local and national economic development.

280K JOBS CREATED. An estimated 280,000 jobs have been created in 2013 by way of our projects. Our large-scale, integrated approach to land development provided the setting for diverse activities, products, and market base, creating more opportunities for employment.

EXPERTISE IN BUILDING RESILIENT COMMUNITIES. Last year's natural calamities sharpened the need for resilient communities. We address the country's climate and geological challenges through our project development cycle and technical due diligence (TDD) process. To ensure delivery of safe and resilient sites to our customers, we dedicate a percentage of each project cost to TDD. This ensures that all land acquisitions and projects are screened for geo-hazards and project impacts on surrounding communities, including the ecosystem. It enables us to design so that nature works for our communities and vice versa. We focus on ecological integrity, storm water and geo-hazard sensitivity, and resource efficiency to ensure the safety and sustainability of our developments. G4-14

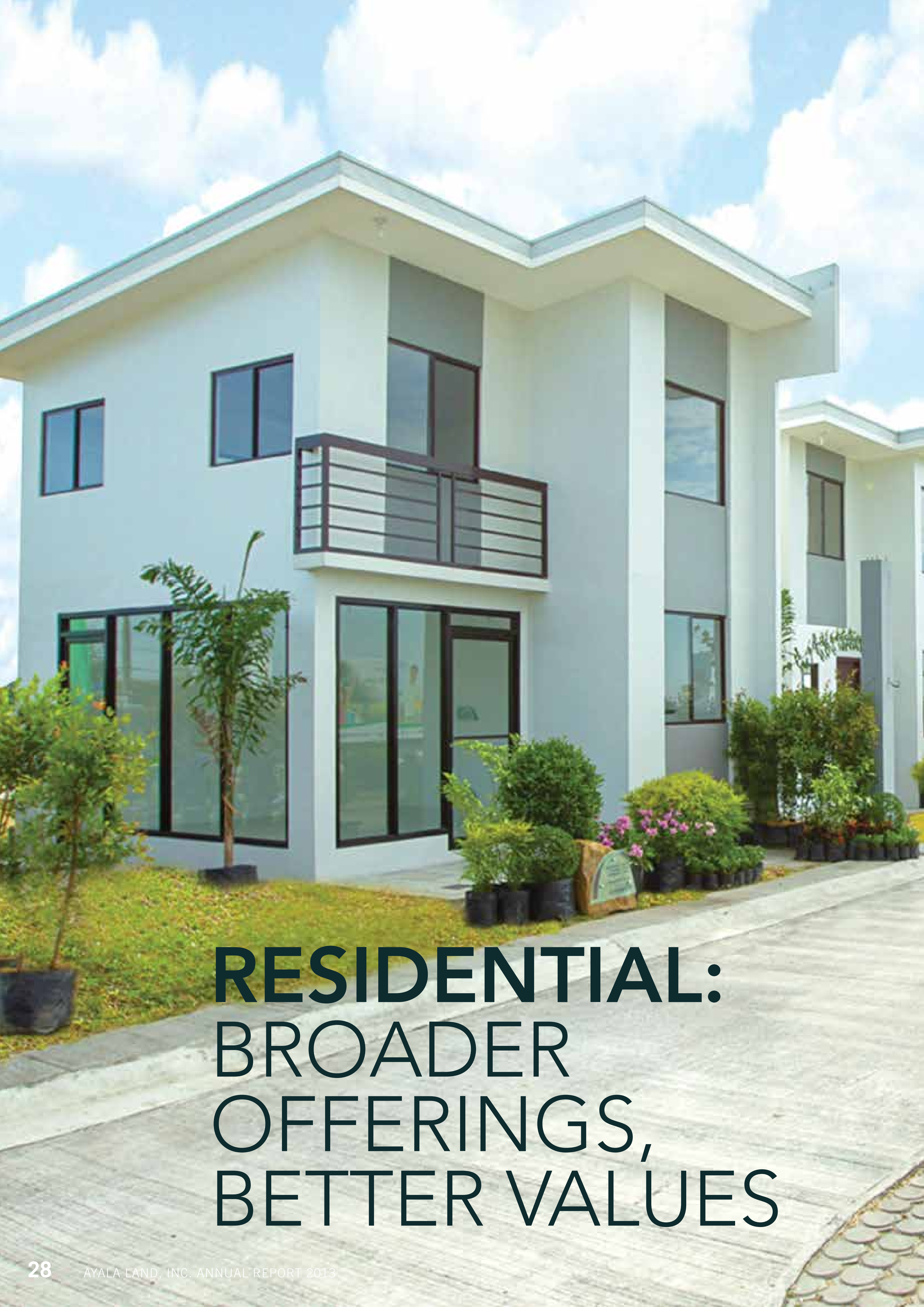
Anvaya Cove Golf and Sports Club

OUR INTEGRATED, MIXED-USE AND SUSTAINABLE COMMUNITIES

Our large-scale approach to land development ensures that positive impacts are felt by a broader segment of society.

Green open spaces protect the integrity of the environment and facilitate better storm water management.

We promote the planned, judicious use of natural and man-made resources and enhance the value of our real estate projects over time. Our masterplanned approach primes our properties with a mix of real estate products and services that elevates the quality of living of our customers. We create spaces guided by a balance of economic, environmental and social goals to help us achieve the right densities of compatible diverse uses. Our projects stimulate local economic activity and provide public infrastructure crucial to the nation's progress. G4-2, G4-56



RESIDENTIAL: BROADER OFFERINGS, BETTER VALUES

With the continuous expansion of our five brands to address growing demand for quality housing, we fulfill our commitment to reach out to more Filipino families. We launched a total of 59 projects all over the country with a sales value of P108 billion, a 20% increase from 2012 figures. Revenues posted a record high of P52 billion, and sales take-up remained strong, with a growth of 18% over 2012 figures. There was also a 68% increase in sales to overseas Filipinos, at P13.5 billion in booked sales for the year. Our revenue pipeline remains healthy with unbooked revenues at P99 billion, more than eight times the level in 2009.

Ayala Land Premier

DOMINANT SHARE OF THE MARKET. Ayala Land Premier (ALP) remained the dominant provider of high-end residential products. We posted revenues of P15.56 billion, 41% higher than 2012, as booked sales reached P24 billion. We successfully launched a total of 1,611 units with a value of P37 billion. This included seven projects and their various phases, such as Two Roxas Triangle, East Gallery Place, Ayala Westgrove Heights, Ayala Greenfield Estates, Luscara and the second tower of Garden Towers.

CREATING BETTER ENVIRONMENTS. An example of ALP's continued commitment to better environments is Anvaya Cove Golf and Sports Club, launched in 2013. The project was designed and developed to minimize earth movement and cutting of mature trees. To further enhance the ecosystem, native and endemic flora were used to landscape the fairways and amenities areas. As private sector representative in Morong's coastal resource management planning for Morong, Bataan, we contribute to the enhancement of the surrounding marine and terrestrial ecosystem. Together with the Department of Environment and Natural Resources, we protect and monitor nesting of Olive

Artist's perspective of Two Roxas Triangle, Makati

Hole 13 Anvaya Cove Golf and Sports Club

Ridley turtles in the area. To round off our community involvement, we find ways to integrate members of the host communities in various livelihood programs and in Anvaya Cove's activities.

MORE PREMIUM URBAN SPACES. Eight new sites with an aggregate area of 239.5 hectares in Davao and Calamba, among others, ensure ALP's continued growth over the next 15 years. Each one strengthens ALP's position as the leader in the development of premium green urban spaces that protect critical ecological functions and add more value to our products.

Artist's perspective of Kasa Luntian retail area, Tagaytay

Artist's perspective of Solstice Towers at Circuit Makati

Alveo

RAPID GROWTH TRAJECTORY. Alveo Land posted P9.1 billion in revenues, 18% more than last year's P7.68 billion. We delivered a diversified portfolio of new projects worth P30 billion, which included the sequels to our highly successful vertical projects in key growth areas such as Solstice Towers 1 and 2 in Circuit Makati, High Street South Corporate Plaza Tower 2 and Verve Residences in BGC, and Abreeza Place Tower 2 in Davao. Within the same year, we acquired, planned and launched the BPI Corporate Center in Cebu. Alveo also doubled international sales as a result of enhanced marketing efforts, gaining momentum in the past year to become a leading player in the industry.

Artist's perspective of Kroma Tower, Makati

STORM-SENSITIVE DESIGN. Parks and open spaces in Alveo developments, such as Venare and Mirala, not only provide amenities for their residents, but also ensure optimum water absorption into the ground. We maintain and incorporate waterways into the developments and use bio-swales and other water-sensitive design solutions that enhance natural water cycles. Native and endemic plants are used where possible and appropriate for ecosystems, creating developments that enhance the natural environment and provide opportunities for savings on water.

MORE PROJECTS IN KEY TERRITORIES. Alveo is set to launch more projects, maintaining leadership position in Makati, BGC, Cebu, Davao, Cavite and Pampanga, and enhancing our horizontal portfolio via new projects in the north and south. To increase customer satisfaction, we continue to undertake design improvements in terms of interior finishes, lighting, ventilation and other innovations that improve the living experience of our customers.

Ridgeview Estates, NUVALI

Avida

A BANNER PERFORMANCE. Earning P12.5 billion in revenues, Avida surpassed 2012 figures by 42%. Booked sales totalled P16.1 billion, due to better seller productivity and a more aggressive overseas presence. The company launched 15 projects, among them Avida Towers Vita in Quezon City, which launched two towers in one year due to great demand; Atria, a mixed-use development in Iloilo; and, Avida's first office development, One Park Drive in Bonifacio Global City.

EXPANDING INTO ESTATE DEVELOPMENT. Modelled after Ayala Land's well-known estates, the 6.6-hectare South Park District in Alabang is a complete development that has trademark features and components such as a residential condominium, an office building and a shopping center. Nature is used to enhance the design of the new estate, with 24% of the total area allocated as green space. Three large half-century-old mango trees were preserved and incorporated into the South Park Mall's design, and approximately 8,000 sqm of flora at the Central Park is featured in the development.

With our eyes set on growth, personnel development remains a key thrust. We consistently offer foundational leadership programs and specialized summits on cost, procurement and international sales, to arm our employees with the necessary skills to achieve their targets. The move to our new office in BGC in 2013 marks another step towards a bigger, brighter, fast-paced future.

Artist's perspective of South Park District, Alabang

Amaia

LEADER IN THE ECONOMIC HOUSING SEGMENT. Amaia continued its aggressive expansion with 17 new projects launched in 2013. This brings the company's development portfolio to a total of 29 projects since its inception in 2010, covering 21 cities, 10 provinces in five regions across the Philippines. Revenues from last year grew 54% to P2.43 billion. Take-up sales grew 36% to P8.13 billion while booked sales expanded by 46% to P2.83 billion. The strong performance of residential buildings, which accounted for 75% of total production enabled Amaia to maintain its dominant share of the affordable housing segment of the Metro Manila market for the second straight year.

A TRUSTED BRAND. Rallying Overseas Filipino Workers across the globe, Amaia embarked on a massive international program with the establishment of an Amaia International Sales Team and kicked off the "Bagong Bayani, Bagong Bahay Handog ng Amaia" campaign. Utilizing various platforms, the program yielded 69% growth in sales from OFWs and grew its social media fanbase to more than 320,000. On the organizational front, Amaia introduced basic training programs that helped enhance the performance of the employees by putting greater emphasis on capability, capacity and culture-building initiatives.

Amaia Scapes in Cavite

Artist's perspective of Amaia Steps Altaraza

BRIGHT PROSPECTS IN ECONOMIC HOUSING. Cognizant of the accumulated housing backlog of about 3.9 million, of which 62% are in the economic and low cost housing segments, Amaia furthered efforts to enhance the affordability of our products through our active involvement with the Subdivision and Housing Developers Association (SHDA). As one of the key drivers behind SHDA, Amaia has been successful in pushing for the inclusion of Mass Housing into the Investment Priorities Plan (IPP) of the Board of Investments (BOI) for the retention of government incentives for developers. These incentives are passed on to customers in the form of more affordable prices.

BellaVita General Trias, Cavite

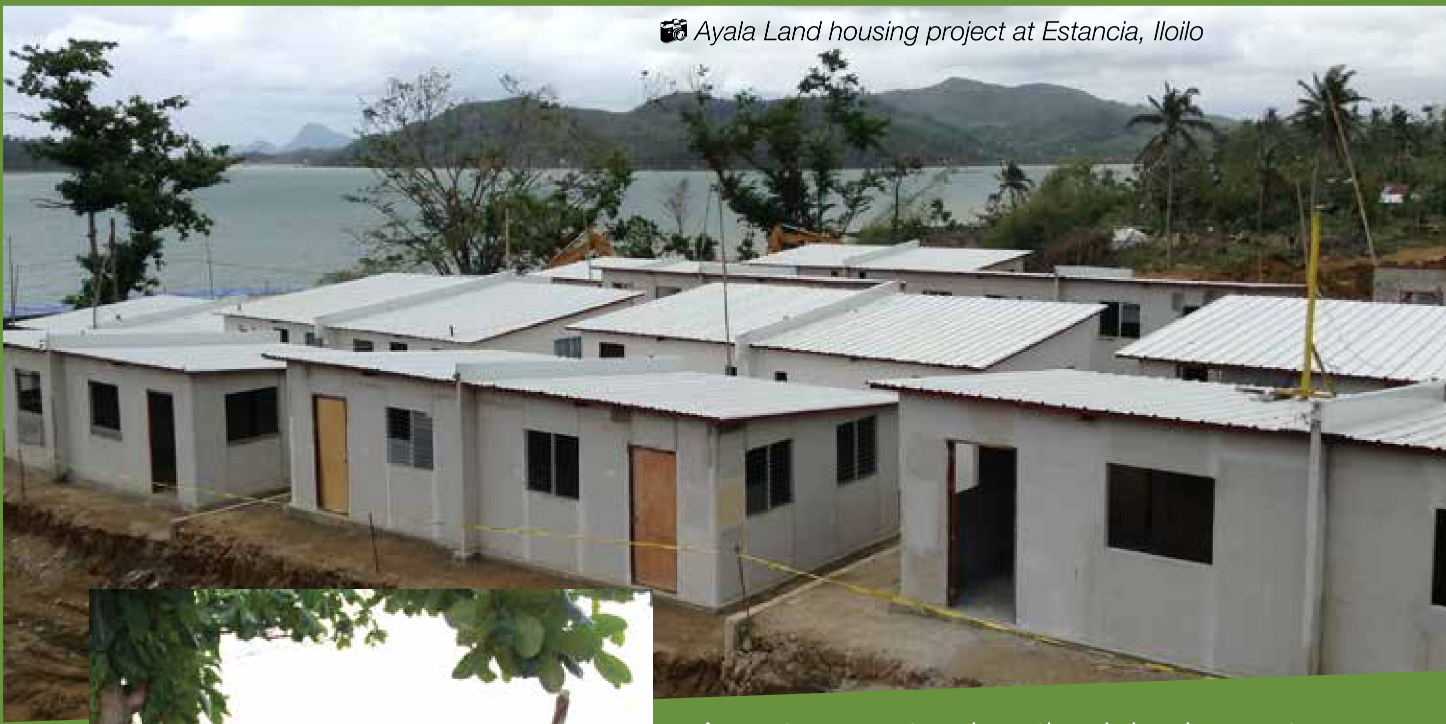
BellaVita

EXCEEDING EXPECTATIONS. BellaVita turned in revenues of P64 million on our first full year of operations. In 2013, we launched five projects worth P3.6 billion. We developed the socialized housing units for other Ayala Land residential brands, fulfilling the 20% compliance requirement of the government. This allowed them to launch 13 projects with a total sales value of P7.2 billion, which translated to a total of 3,500 residential units in compliance. BellaVita's maiden projects in General Trias, Cavite, and Alaminos, Laguna were completed last year, with a total of 804 and 75 finished units, respectively.

CHANGING PERCEPTIONS. Low-density living as well as sizable green spaces for parks, playgrounds and community facilities, normally found in more premium properties, have been made possible in BellaVita. We pioneer in sustainable features that are rarely found in the socialized housing segment. For instance, the Tayabas, Quezon development has maintained 71% of the natural vegetation in the area, making the buri trees a highlight and selling point of the project.

FULFILLING THE DREAM OF OWNING A BETTER HOME. As Ayala Land's first social enterprise community, BellaVita makes home ownership for more Filipinos possible. We aggressively pursue partnerships that meet the housing needs of the socialized housing market with full consideration of its financial sensitivities. We have agreements with the Center for Agriculture and Rural Development SME Bank, the PLDT-Smart Foundation, Metro Manila Development Authority, the Armed Forces of the Philippines and Bank of the Philippine Islands for the development of various financing mechanisms to reach out to soldiers, public school teachers, cooperative members and ordinary citizens. Prospects remain bright, with the new sites that will expand our presence to 12 cities and municipalities across eight provinces.

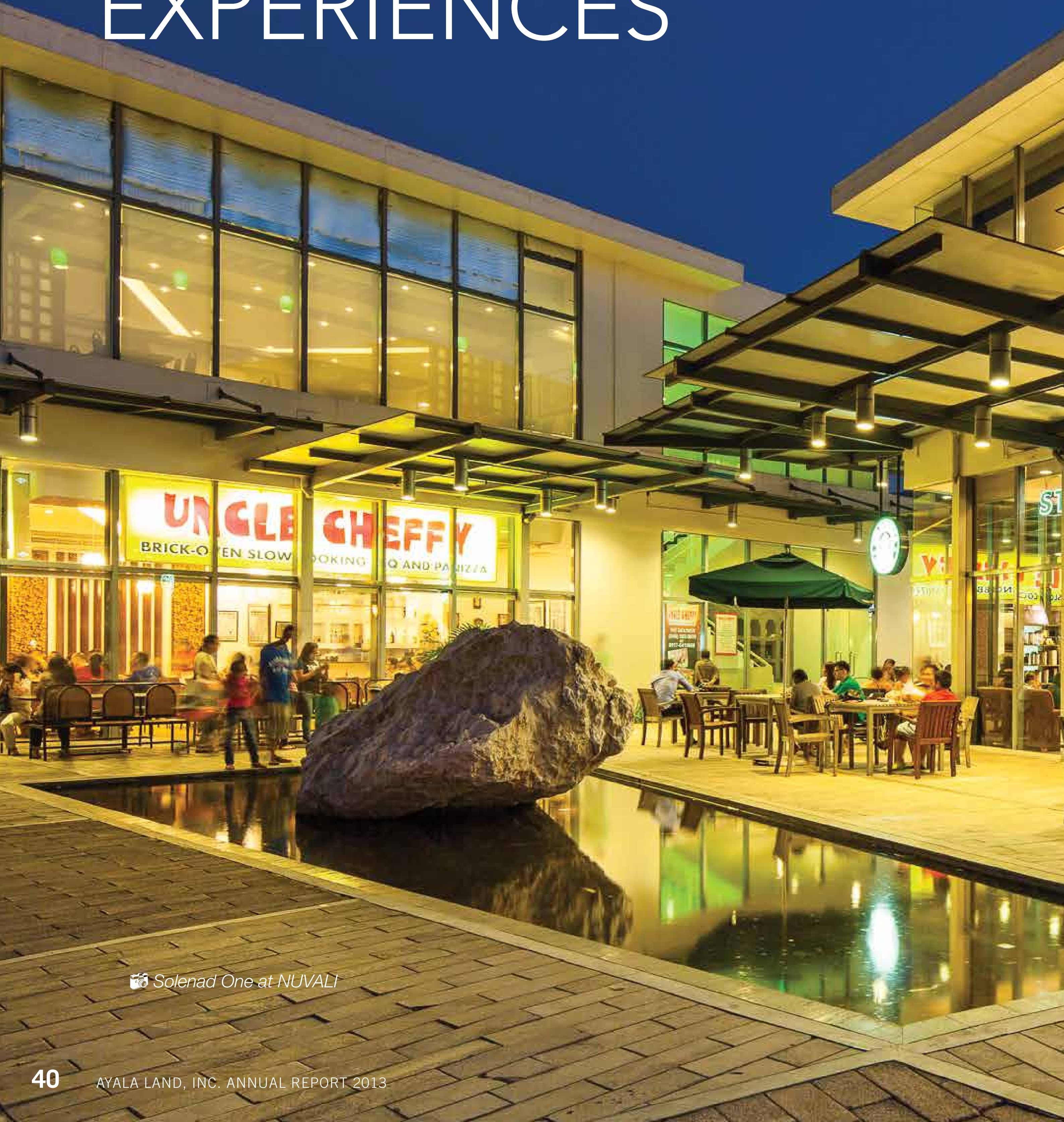
RESTORING COMMUNITIES, REBUILDING LIVES



Ayala Land housing project at Estancia, Iloilo

As a strong partner in national development, Ayala Land responded immediately to the victims of Typhoon Yolanda. We continue to help affected communities in the northern part of the Iloilo province. From our relief operations, we now face the challenging task of rehabilitating specific areas and building long-term capacities of the survivors. We created a holistic rebuilding program in which our relief efforts were only the first steps. We are building 600 homes in the town of Estancia, reconstructing three school buildings, and providing livelihood assistance to affected fisher-folks starting with the construction of 500 boats. We also provided 7,800 educational kits to affected schoolchildren. Our hope is for our fellow Filipinos to move forward to a life that is better than what they had prior to the typhoon.

SHOPPING CENTERS: CREATING BETTER EXPERIENCES



Solenad One at NUVALI

MEETING HIGH CONSUMER SPENDING HEAD-ON. At revenues of P10.5 billion, 10% higher than 2012, the award-winning Ayala Malls contributed 13% to Ayala Land's total 2013 revenues. The Group responded to robust consumer spending in 2013 with the opening of two community malls and the launching of 249,000 sqm of GLA of shopping centers. These new shopping centers will bring the total GLA to 1.6 million sqm, from only 1.2 million sqm in 2012.

BETTER ACCESS FOR BETTER BUSINESS. Pedestrian facilities and public transport terminals are standard features in our projects to encourage pedestrian flow in our shopping centers. These include covered and tree-lined interconnected walkways, drop-offs, lay-bys, as well as waiting sheds and terminals for public utility vehicles. These are ample, well-lit spaces that are designed and placed at strategic points for convenience, making affordable transportation service available to all mall-goers. More than 84,000 sqm of last year's projects were dedicated to open and green spaces such as parks and water absorption facilities. At Solenad NUVALI, eco-friendly E-shuttle services were made available.

NEW RECURRING PLATFORM. Strategic partnerships with established retail brands Store Specialists Inc., FamilyMart and Puregold provide us with new retail formats that support our aggressive expansion plans. We enhance these retail formats with the same strong consumer-oriented offerings and high standards of service and quality. We plan to open 15 supermarkets, 15 department stores and 500 convenience stores within the next five years.

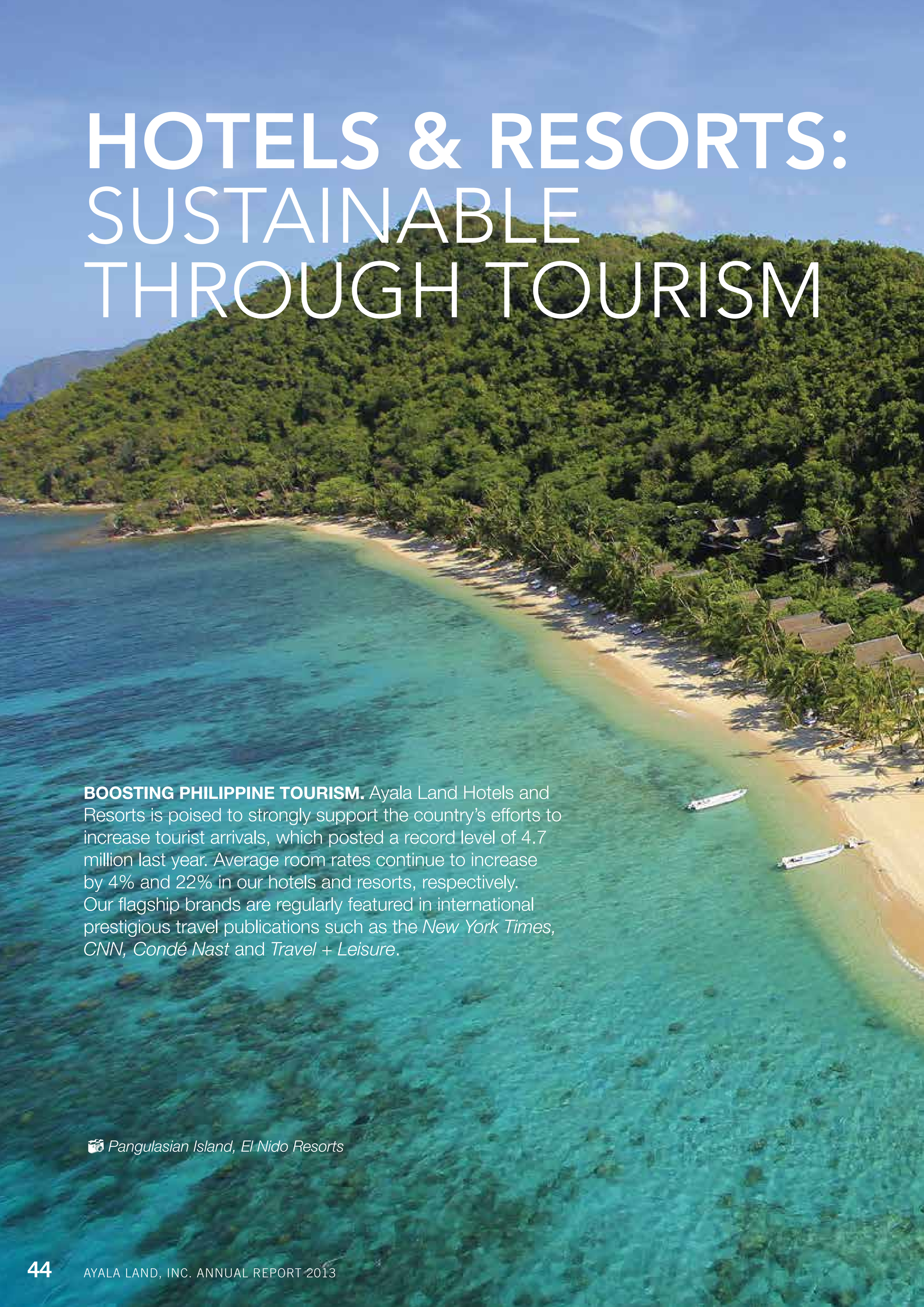
OFFICES:
RESPONDING TO A DYNAMIC INDUSTRY

A COMPETITIVE ADVANTAGE. Ayala Land Offices contributed P3.5 billion or 4% to the Company's 2013 revenues. We launched five buildings in 2013 with a total GLA of 124,000 sqm, in response to the growing demand for office spaces. To address the unique specifications of Business Process Outsourcing (BPO) locators, we broke ground on the BGC Corporate Center, eBloc4 and Cebu Business Park BPO in Cebu, and South Park District in Alabang, among others. The total portfolio of available leasable space in 2013 was 562,452 sqm, which included our newly opened BPO buildings at Glorietta 1 and Glorietta 2, both of which have been fully leased out.

ENERGY-EFFICIENT OFFICES. Our offices remain at the forefront in the use of energy-efficient technologies. Sixty-one percent or 1,310,403 kWh of the total estimated savings of energy improvements throughout the properties within our operational control comes from our offices. These improvements include LED retrofits, solar lamp posts and escalator auto sensors, which are coupled with behavior reinforcement in the judicious use of electricity.

PROSPECTS FROM A $16-BILLION INDUSTRY. As the Philippines remains the preferred BPO destination, we continue to offer workspaces with 24/7 technology-based operations, experienced and reliable facilities management teams, and an environment that promotes efficiency and productivity and enhances employee satisfaction. Locating these offices in integrated, mixed-use economic centers such as Makati Central Business District and Bonifacio Global City provides leading local and multinational companies with world-class facilities in strategic and accessible locations.

One Evotech at NUVALI



HOTELS & RESORTS: SUSTAINABLE THROUGH TOURISM

BOOSTING PHILIPPINE TOURISM. Ayala Land Hotels and Resorts is poised to strongly support the country's efforts to increase tourist arrivals, which posted a record level of 4.7 million last year. Average room rates continue to increase by 4% and 22% in our hotels and resorts, respectively. Our flagship brands are regularly featured in international prestigious travel publications such as the *New York Times, CNN, Condé Nast* and *Travel + Leisure*.

Pangulasian Island, El Nido Resorts

A MAJOR INDUSTRY PLAYER. Contributing P4.02 billion to Ayala Land's 2013 revenues, Ayala Land Hotels and Resorts grew 64% from last year and clearly established the Company as a key player in the industry. 2013 saw a tripling of room inventory to 2,001 rooms across our branded hotels, Seda hotels and island resorts. This growth includes the opening of Holiday Inn & Suites at Glorietta and Seda Abreeza in Davao City. To expand our portfolio, we also launched two Seda hotels, one at Circuit Makati and the other at Vertis North in Quezon City. We also completed the buyout of the Asian Conservation Group in Ten Knots and assumed full ownership of the prestigious El Nido Island Resorts.

AN ENVIRONMENT FOR DEVELOPMENT. Boasting of attractive eco-tourism destinations, the Philippines is considered an environmental hotspot. We help promote responsible tourism that integrates local development. Our property in El Nido is a world-class tourist destination that won the prestigious World Travel and Tourism Council Award for Community Benefit. We undertake community programs such as capacity-building projects, job fairs, monthly medical missions and deliberate local purchasing of supplies and materials.

Palawan Flowerpecker

CONSTRUCTION: GROWING, GREENING FROM THE GROUND UP

BUILDING RECORD HIGHS. Makati Development Corporation (MDC) reached record highs in 2013, with revenues totalling P4.5 billion, contributing 6% of Ayala Land's revenues in 2013. We constructed 397 projects last year, growing the total number by 58% from 251 projects in 2012, reinforcing MDC's position as the world-class builder of choice.

P1.1 BILLION IN ENVIRONMENTAL PROTECTION. MDC invested P1.1 billion in prevention and remediation methods and practices that protect environmental integrity in our projects. We worked closely with suppliers to ensure efficient use of materials. For instance, steel bars are cut to specifications to avoid wastage. We also used high-quality recycled inputs in rebars and concrete, and reused 10.73% of formworks to lessen demand on virgin materials. We also received 58 safety awards from the Safety Organization of the Philippines, Inc. and the Department of Labor and Employment (DOLE). Dust and noise control levels were maintained within DOLE standards and construction schedules planned in consideration of the surrounding communities.

BRIGHT PROSPECTS AHEAD. MDC ended the year with a significant order book worth P72.08 billion. We expect that our increased equipment fleet—from 486 to 588 units, and formworks from 61,256 sqm to 105,018 sqm, will help improve revenues. This, together with our ongoing equipment modernization program, optimization of plant resources, strategies for materials efficiency, subsidiarization of equipment and concrete batch plants, and our more customer-centric contracting model should help improve revenues and margins in the coming years.

ORDER BOOK	PROJECTS
P72B	155

PROPERTY MANAGEMENT: QUALITY AND COMPETITIVE ADVANTAGE

LARGEST, LEADING PROPERTY MANAGER. Our property management group further strengthened its position last year, with revenues posting a jump from P1.0 billion in 2012 to P1.9 billion, accounting for 2% of Ayala Land's 2013 revenues. Ayala Property Management Corporation (APMC) continued to provide quality service across its 162 managed properties, spanning 54 million sqm of space in 2013.

AWARDS	NEW ACCOUNTS
24	68

RESULTS-ORIENTED, FOR PEOPLE AND PLANET. APMC enjoyed cost savings for both the company and our customers with long-standing programs on better building efficiency, technology-based energy management solutions and reduced operating costs. In 2013, we implemented energy conservation initiatives and new energy technology projects that led to actual total savings of 747,803 kWh, while demand monitoring led to actual savings of 1.98 million kWh. These amounted to 2.72 million kWh in actual savings for 2013 and a cumulative savings of 4.6 million kWh since 2010. This year, APMC was recognized with 16 Don Emilio Abello Energy Efficiency Awards and eight Outstanding Energy Managers Awards from the Department of Energy. We also received 95 fire safety awards from the Makati Local Government.

A FUTURE OF ENERGIZING PROSPECTS. Our affiliate Direct Power has smoothly implemented its retail electricity supply business with 29 customers in its portfolio. Furthermore, all four operating projects for PhilEnergy's District Cooling System (DCS) model improved efficiencies for our facilities. The Ayala Center-Makati DCS was successfully registered with the Bureau of Investments, granting us a four-year income tax holiday starting 2014.

BOARD OF DIRECTORS

Jaime C. Laya

Mercedita S. Nolledo

Francis G. Estrada

Oscar S. Reyes | Delfin L. Lazaro | Aurelio R. Montinola III

BOARD OF DIRECTORS

FERNANDO ZOBEL DE AYALA

Filipino, 53, has served as Chairman of the Board of ALI since April 1999. He is the President and Chief Operating Officer of Ayala Corporation. He is also Chairman of Manila Water Company, Inc., AC International Finance Ltd., AC Energy Holdings, Inc., and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc.; Director of Bank of the Philippine Islands, Globe Telecom, Inc., Integrated Micro-Electronics, Inc., LiveIt Investments, Ltd., Ayala International Holdings Limited, Honda Cars Philippines, Inc., Isuzu Philippines Corporation, Pilipinas Shell Petroleum Corp., Manila Peninsula and Habitat for Humanity International; Member of The Asia Society, INSEAD East Asia Council, Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, Kapit Bisig para sa Ilog Pasig Advisory Board and National Museum. G4-39

ANTONINO T. AQUINO

Filipino, 66, has served as Director and President of ALI since April 2009. He also holds the following positions: Senior Managing Director of Ayala Corporation; Chairman of Alveo Land Corp., Cebu Holdings, Inc., Cebu Property Ventures & Development Corp., Ayala Hotels, Inc., Makati Development Corp., North Triangle Depot Commercial Corp., and Station Square East Commercial Corp.; President of Fort Bonifacio Development Corp., Alabang Commercial Corp., Accendo Commercial Corp., Aurora Properties, Inc., Ceci Realty, Inc., and Vesta Property Holdings, Inc.; Director of Manila Water Company, Inc. He also serves as a member of the board of various corporate social responsibility foundations such as Ayala Foundation, Inc., Makati Commercial Estate Association, Inc., Hero Foundation, Inc. and Bonifacio Arts Foundation, Inc.. He also served as President of Manila Water Company, Inc., and Ayala Property Management Corporation and as Business Unit Manager in IBM Philippines, Inc. He was named "Co-Management Man of the Year 2009" by the Management Association of the Philippines for his leadership role in a very successful waterworks privatization and public-private sector partnership.

JAIME AUGUSTO ZOBEL DE AYALA

Filipino, 54, has served as a Director, Vice Chairman and member of the Executive Committee of ALI since June 1988. He also holds the following positions: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc., Bank of the Philippine Islands, and Integrated Micro-Electronics, Inc.; Co-Chairman of Ayala Foundation, Inc.; Vice Chairman of AC Energy Holdings, Inc.; Chairman of Harvard Business School Asia-Pacific Advisory Board and Asia Business Council; Vice Chairman of the Makati Business Club, and member of the Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, International Business Council of the World Economic Forum; Philippine Representative for APEC Business Advisory Council. He graduated with B.A. in Economics (with honours) degree from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

FRANCIS G. ESTRADA

Filipino, 64, has served as Independent Director of ALI since April 2008. His other significant positions are: Independent Director of Philamlife and General Insurance Co. (Chairman, Risk Management Committee; Member of the Audit and Investment Committees); Director and Member, Technology Committee of Rizal Commercial Banking Corporation; Director, Chairman of the Risk Management and Member of the Audit Committees of RCBC Savings Bank; Director and Member of the Risk Management Committee of Engineering Equipment, Inc.; Chairman of the Board of Visitors of the Philippine Military Academy; Vice-Chairman, Trustee and Fellow of the Institute of Corporate Directors; Director and Member of the Audit Committee of Clean Air Asia, Inc.; Trustee of the Sociedad Espanola de Beneficiencia; Director of the Maximo T. Kalaw Foundation; Vice Chairman and Trustee of Bancom Alumni, Inc.; Fellow, Institute for Solidarity in Asia; former Chairman of De La Salle University Board of Trustees; former Member of the National Mission Council and Chairman of the Investment Committee of De La Salle Philippines; former President of the Asian Institute of Management; Most Outstanding Alumnus of the Asian Institute of Management in 1989.

DELFIN L. LAZARO

Filipino, 67, has served as member of the Board of ALI since April 1996. His other significant positions include: Chairman of Philwater Holdings Company, Inc., Atlas Fertilizer & Chemicals Inc., Chairman and President of Michigan Power, Inc., and A.C.S.T. Business Holdings, Inc.; Chairman of Azalea Intl. Venture Partners, Ltd.; Director of Integrated Micro-Electronics, Inc., Manila Water Co., Inc., Ayala DBS Holdings, Inc., AYC Holdings, Ltd., Ayala International Holdings, Ltd., Bestfull Holdings Limited, AG Holdings, AI North America, Inc., Probe Productions, Inc. and Empire Insurance Company; and Trustee of Insular Life Assurance Co., Ltd.

JAIME C. LAYA

Filipino, 74, has served as an Independent Director of ALI since 2010. He is the Chairman of the Board of Directors and President of Philippine Trust Company (Philtrust Bank). He is also an Independent Director of GMA Network, Inc. and Philippine AXA Life Insurance Co., Inc.; a regular Director of Philippine Ratings Services Corporation; and Trustee of Cultural Center of the Philippines, St. Paul's University – Quezon City, Ayala Foundation, Inc., Fundación Santiago, and other non-profit, non-stock corporations. He has served as Minister of the Budget, Minister of Education, Culture and Sports, Governor of the Central Bank of the Philippines, Chairman of the National Commission for Culture and the Arts, and Professor and Dean of Business Administration of the University of the Philippines.

AURELIO R. MONTINOLA III

Filipino, 62, has served as member of the Board of ALI since February 2005. His other affiliations, among others, include: Chairman of BPI Direct Savings Bank, Inc., BPI Computer Systems, Inc., BPI/MS Insurance Corp., BPI-Philam Life Assurance Corp., BPI Europe Plc., Amon Trading Corporation; Vice Chairman and President of the BPI Foundation, Inc.; Vice Chairman of the Asia/Pacific Regional Advisory Board of Mastercard Incorporated, Lafarge Republic, Inc., LGU Guarantee Corp., Far Eastern University and Philippine Business for Education, Inc.; Director of BPI Capital Corporation, BPI Family Savings Bank, Inc.; and Member of the Management Association of the Philippines; and Trustee of the Makati Business Club, and Ayala Foundation, Inc.

MERCEDITA S. NOLLEDO

Filipino, 72, has served as Director of ALI since May 1994. She currently holds the following positions: Senior Counsel of the Ayala Group of Companies; Chairman of BPI Investment Management, Inc. and Ayala Group Legal; Director of Anvaya Cove Beach and Nature Club, Inc., Honda Cars Cebu, Inc., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc., Ayala Automotive Holdings Corporation, Bank of the Philippine Islands, BPI Capital Corporation, and BPI Family Savings Bank; member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc.; and President of Sonoma Properties, Inc. She also served as a Director of Ayala Corporation from 2004 to September 2010.

OSCAR S. REYES

Filipino, 66, has served as an Independent Director of ALI since April 2009. He is a member of the Board of Directors of the Bank of the Philippine Islands, Manila Water Company, Inc., Philippine Long Distance Telephone Company (Advisory Board), Smart Communications, Inc., Pepsi Cola Products Philippines, Inc. (Chairman), Sun Life Financial Phils., Inc., Sun Life Prosperity Funds, Basic Energy Corporation and Alcorn Gold Resources Corporation, Petrolift, Inc., among other firms. He is also the President and Chief Executive Officer of Manila Electric Company, President of Meralco PowerGen Corporation and Chairman of Meralco Industrial Engineering Services Corporation (MIESCOR), CIS Bayad Center, Meralco Energy Inc., Redondo Peninsula Energy Inc., and Link Edge, Inc. Prior to these posts, he served as Country Chairman of the Shell Companies in the Philippines. He is a member of the Board of Trustees of One Meralco Foundation, Inc., SGV Foundation, Inc., El Nido Foundation, Inc., and Pilipinas Shell Foundation, Inc.

MANAGEMENT COMMITTEE

Seated, left to right

ANTONINO T. AQUINO
President and CEO

JAIME E. YSMAEL
Chief Finance Officer
Compliance Officer
Group Head, Finance

Standing, left to right:

BERNARD VINCENT O. DY
Chief Operating Officer
Group Head, Residential Business
Group Head, Ayala Malls
Group Head, Corporate Marketing and Sales

JOSE EMMANUEL H. JALANDONI
Group Head, ALI Capital and Hotels
Group Head, Office Leasing

Seated, left to right:
ANNA MA. MARGARITA B. DY
Group Head, Strategic Landbank Management

DANTE M. ABANDO
Group Head, Construction

Standing, left to right:
EMILIO J. TUMBOCON
Group Head, Visayas-Mindanao
Group Head, Human Resources and Public Affairs

RAUL M. IRLANDA
Group Head, Property Management

Left to right:
VINCENT Y. TAN
Group Head, Planning

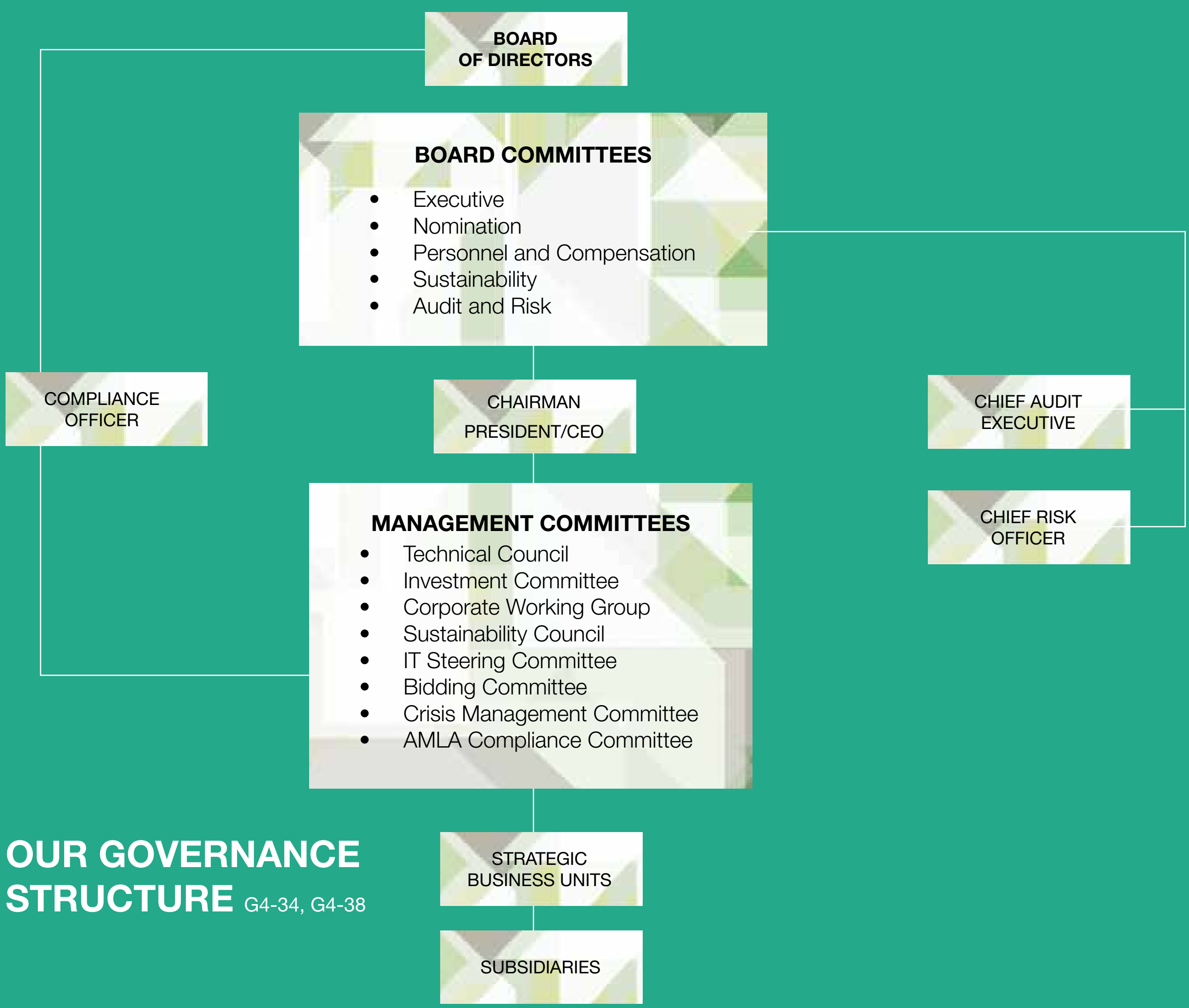
ARTURO G. CORPUZ
Group Head, Urban and Regional Planning
and Central Land Acquisition

JOSELITO N. LUNA
Group Head, Innovation and Design

CORPORATE GOVERNANCE G4-15, G4-38, G4-48

Our unwavering commitment to the highest standards of corporate transparency remains a driving force behind our success. We acknowledge that long-term shareholder value is realized through sound business principles anchored on best practices and sustainable development, carried out within a solid governance framework. G4-56

Ayala Land's corporate governance practices are principally contained in our Articles of Incorporation and By-Laws, their amendments and our Manual of Corporate Governance. The Company is in full compliance with the code of corporate governance and all listing rules of the Philippine Stock Exchange (PSE) and regulations adopted by the Securities and Exchange Commission (SEC) and Philippine Dealing Exchange Corporation (PDEx). The following report describes our corporate governance structure and details initiatives undertaken by the Company in 2013 to further reinforce our commitment to integrity, transparency, the equitable treatment of all shareholders, and a well-functioning Board and management team that are closely aligned in representing and working for the interests of our various stakeholders. Our corporate governance program is shown through the illustration below:



OUR GOVERNANCE STRUCTURE G4-34, G4-38

AYALA LAND BOARD OF DIRECTORS

DIRECTOR	POSITION	NATURE OF APPOINTMENT
FERNANDO ZOBEL DE AYALA	Chairman	Non-executive
JAIME AUGUSTO ZOBEL DE AYALA	Vice Chairman	Non-executive
ANTONINO T. AQUINO	Director	Executive
FRANCIS G. ESTRADA	Director	Non-executive/Independent
JAIME C. LAYA	Director	Non-executive/Independent
DELFIN L. LAZARO	Director	Non-executive
AURELIO R. MONTINOLA III	Director	Non-executive
MERCEDITA S. NOLLEDO	Director	Non-executive
OSCAR S. REYES	Director	Non-executive/Independent

The Board establishes the vision, strategic objectives, key policies and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating management's performance. It reviews and approves the Company's mission and vision at least once every five years. The Board also ensures the adequacy of internal controls and risk management practices, accuracy and reliability of financial reporting, and compliance with applicable laws and regulations. G4-42

Ayala Land is led by a Board consisting of nine members who hold office for a minimum of one year until such time that their successors are nominated, qualified and elected in accordance with the Company's By-Laws. The Board represents a mix of general business, industry, legal and finance competencies, with each director capable of adding value and rendering independent judgment in relation to the formulation of sound corporate policies. All Board members have undergone training in corporate governance and have been certified by the Institute of Corporate Directors (ICD).

ICD is a professional organization that is based in the Philippines and is accredited by the Philippine SEC and the PSE. ICD works closely with the Organization for Economic Cooperation and Development (OECD), the Global Corporate Governance Forum, and the International Corporate Governance Network and is committed to promoting world-class corporate governance principles in the East Asia region.

ICD releases an annual survey based on an independently verified "scorecard" rating of corporate governance for publicly listed companies in the Philippines. Ayala Land topped the ICD Corporate Governance ratings in 2010 with a score of 99% and was given a Platinum award for garnering Gold awards (with a score of at least 95%) for three consecutive years. The average score of the 214 companies in the 2010 survey was 77%. In 2012, ICD decided to fully adopt the ASEAN Corporate Governance Scorecard in preparation for the economic integration by 2015. This move aims to further enhance local corporate governance standards to ensure that Philippine listed firms remain at par with the rest of the region. After its initial run conducted in 2013, which included 252 publicly-listed companies, Ayala Land registered a score of 79.6%, topping the average score of 51% across all listed entities and also beating the average rating of the property sector, composed of 38 listed corporations, at 48.4%. The Company is determined to continuously improve its practices with the introduction of key governance initiatives. G4-16

The roles of the Chairman and the Chief Executive Officer (CEO) are separate to ensure Board independence from management, an appropriate balance of power and increased accountability. Of the nine members of the Board, only the President and CEO is an executive director. The rest are non-executive directors who are neither officers nor consultants of the Company. G4-39

DIRECTOR TRAINING AND CONTINUING EDUCATION PROGRAM G4-43

NAME OF DIRECTOR/OFFICER	DATE OF TRAINING	PROGRAM	NAME OF TRAINING INSTITUTION
Fernando Zobel de Ayala	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Jaime Augusto Zobel de Ayala	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Antonino T. Aquino	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Francis G. Estrada	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Jaime C. Laya	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Delfin L. Lazaro	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Aurelio R. Montinola III	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Mercedita S. Nolledo	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Oscar S. Reyes	02/04/2014	Corporate Governance & Risk Management	ICD, SEC

As a company listed on the PSE, Ayala Land exceeds the regulatory requirement of having at least two independent directors on the Board. Ayala Land has three independent directors equivalent to 33% of the nine-man board. A director is considered independent if he holds no interests in or relationships with the Company that may hinder his independence from the Company or its management and any major shareholder, which would interfere with the exercise of independent judgment in carrying out the responsibilities expected of a director. A director ceases to be independent if his beneficial ownership in the Company or in its related companies exceed the 10% limit, or if the independent director subsequently becomes an officer or employee of the Company.

BOARD OF DIRECTORS: PROFILE

	TYPE	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual / Special Meeting)	No. of years served as director
Fernando Zobel de Ayala	NED	Ayala Corp.	Mildo Flor C. Sison	4/1999	4/2013	04/17/2013	14
Jaime Augusto Zobel de Ayala	NED	Ayala Corp.	Mildo Flor C. Sison	6/1988	4/2013	04/17/2013	25
Antonino T. Aquino	ED	Ayala Corp.	Mildo Flor C. Sison	4/2009	4/2013	04/17/2013	4
Francis G. Estrada	ID	N.A	Mildo Flor C. Sison (not related with Mr. Estrada)	4/2008	4/2013	04/17/2013	5
Jaime C. Laya	ID	N.A	Mildo Flor C. Sison (not related with Mr. Laya)	4/2010	4/2013	04/17/2013	3
Delfin L. Lazaro	NED	Ayala Corp.	Mildo Flor C. Sison	4/1996	4/2013	04/17/2013	17
Aurelio R. Montinola III	NED	Ayala Corp.	Mildo Flor C. Sison	2/2005	4/2013	04/17/2013	8
Mercedita S. Nolledo	NED	Ayala Corp.	Mildo Flor C. Sison	5/1994	4/2013	04/17/2013	19
Oscar R. Reyes	ID	N.A	Mildo Flor C. Sison (not related with Mr. Reyes)	4/2009	4/2013	04/17/2013	4

Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]

Board Performance G4-44, G4-47

Regular meetings of the full Board are scheduled at the onset of the year and held at least once every quarter. In 2013, the Board had seven regular meetings. The average attendance rate of members of the Board was 92%, with each member individually complying with the SEC's minimum attendance requirement of 50%. The Executive Committee likewise convenes regularly in lieu of the Board.

Board members have separate and independent access to the Corporate Secretary who oversees the adequate flow of information to other Board members prior to meetings and serves as an adviser to the directors on their responsibilities and obligations. Discussions during Board meetings are open, and independent views are encouraged and given due consideration.

One of the tools used by the Board to monitor and improve its performance is an annual self-assessment exercise. This is administered in the form of a formal questionnaire that is answered by each member of the Board and where they rate their individual performance and that of the Board as a whole. The results are compiled by the Compliance Officer and submitted back to the Board for discussion and appropriate action through the Corporate Secretary. This self-assessment survey covers four broad areas of Board performance: Fulfilment of the Board's Key Responsibilities, Quality of the Board–Management Relationship, Effectiveness of Board Processes and Meetings, and the Performance of Individual Board Members. The self-assessment survey questions are reviewed regularly and administered every May (after the Annual Stockholders' Meeting). The Board also conducts its annual assessment of the President and CEO. In 2013, a self-evaluation survey of the various Board committees was likewise introduced, consistent with the format and process implemented for the Board performance review.

BOARD OF DIRECTORS: SUMMARY OF ATTENDANCE G4-47

DIRECTOR	NO. OF MEETINGS ATTENDED/HELD	% PRESENT
Fernando Zobel De Ayala	6/7	86%
Jaime Augusto Zobel De Ayala	7/7	100%
Antonino T. Aquino	7/7	100%
Francis G. Estrada	6/7	86%
Jaime C. Laya	7/7	100%
Delfin L. Lazaro	6/7	86%
Aurelio R. Montinola III	5/7	71%
Mercedita S. Nolledo	7/7	100%
Oscar S. Reyes	7/7	100%

Board Committees

G4-34, G4-35, G4-36, G4-45, G4-48, G4-53

Five committees support the Board in the performance of specific governance functions. These committees —including their members, specific responsibilities and 2013 accomplishments—are discussed in the following sections:

RESPONSIBILITIES AND ACCOMPLISHMENTS IN 2013

EXECUTIVE COMMITTEE G4-42

- Acts on specific matters delegated by the Board of Directors except with respect to the following: distribution of cash dividends; filling of vacancies on the Board or in the Executive Committee; amendment or repeal of By-Laws or the adoption of new By-Laws; amendment of or repeal of any resolution of the Board of Directors; and the exercise of powers delegated by the Board exclusively to other committees.
- Discusses in detail strategic plans and directions.
- Deliberated on, among others, various projects and business proposals.

NOMINATION COMMITTEE G4-40

- Implements and maintains a process which ensures that all directors nominated for election at the Annual Stockholders' Meeting have all the qualifications and none of the disqualifications for directors as stated in the By-Laws and the Manual of Corporate Governance.
- Reviews the qualifications of key executives prior to movement, promotion or hiring.
- Reviewed the profiles of the nominees for directors for the year 2013-2014, approved the final list of nominees and approved the appointments and promotions of key officers.

PERSONNEL AND COMPENSATION COMMITTEE

- Establishes a formal and transparent process for developing and reviewing policies related to the remuneration of corporate directors, officers and other key personnel.
- Approved the grant of the 2013 performance bonus, Executive Stock Ownership Plan (ESOWN) and Executive Housing Privilege to qualified officers of the Company.
- Reviewed the 2013 company-wide organizational climate and salary survey.

AUDIT AND RISK COMMITTEE

- Assists the Board of Directors in the fulfilment of its oversight responsibility relating to the accuracy of the Company's financial statements and the soundness of its financial reporting process, the robustness of its internal control and risk management systems and processes, internal audit activities, the annual independent audit of the financial statements, and compliance with legal and regulatory requirements.
- Reviewed and approved the 2013 Audited Financial Statements of the Company as prepared by the external auditors Sycip, Gorres, Velayo & Co. (SGV), as well as the quarterly unaudited financial statements.
- The Committee gave its recommendation on the re-appointment of SGV as the Company's external auditors for 2014 and the corresponding audit fee structure.
- The Committee likewise reviewed and/or approved specific matters presented by the Internal Audit Division and SGV. In addition, the Committee reviewed and discussed the Company's enterprise-wide risk management process and risk mitigation plans. The Audit and Risk Committee's activities are further discussed in its Report to the Board of Directors on page 122.
- In 2013, the Board, through the Audit and Risk Committee conducted a thorough review of the Company's operational methods, financial controls, compliance procedures and risk management systems. It was determined that all internal processes remain satisfactory and in accordance with best business practices.

SUSTAINABILITY COMMITTEE

- Provides oversight to the sustainability initiatives of the Company, guides policymaking in the Company's sustainability program, and ensures full Company support and alignment with the Ayala Group of Companies' commitment to Sustainable Development.
- Expanded the Company's sustainability program to include disaster risk reduction in land acquisitions, pedestrian/transport connectivity, storm water and ecosystem-sensitive design as well as emergency preparedness.
- Approved the preparation of an integrated report based on the Global Reporting Initiative - G4 Sustainability Reporting Guidelines.

BOARD COMMITTEES: COMPOSITION AND SUMMARY OF ATTENDANCE

AUDIT AND RISK COMMITTEE

DIRECTOR	NO. OF MEETINGS ATTENDED/HELD	% PRESENT
Oscar S. Reyes	6/7	86%
Mercedita S. Nolledo	7/7	100%
Jaime C. Laya	7/7	100%
Aurelio R. Montinola III*	6/7	86%

** effective April 17, 2013*

NOMINATION COMMITTEE

DIRECTOR	NO. OF MEETINGS ATTENDED/HELD	% PRESENT
Oscar S. Reyes	3/3	100%
Fernando Zobel De Ayala	3/3	100%
Antonino T. Aquino	3/3	100%

PERSONNEL AND COMPENSATION COMMITTEE

DIRECTOR	NO. OF MEETINGS ATTENDED/HELD	% PRESENT
Francis G. Estrada	3/3	100%
Fernando Zobel de Ayala	3/3	100%
Jaime Augusto Zobel de Ayala	3/3	100%
Mercedita S. Nolledo	3/3	100%

EXECUTIVE COMMITTEE

DIRECTOR	NO. OF MEETINGS ATTENDED/HELD	% PRESENT
Fernando Zobel de Ayala	2/2	100%
Jaime Augusto Zobel de Ayala	2/2	100%
Antonino T. Aquino	2/2	100%
Delfin L. Lazaro	2/2	100%
Oscar S. Reyes	2/2	100%

SUSTAINABILITY COMMITTEE

DIRECTOR	NO. OF MEETINGS ATTENDED/HELD	% PRESENT
Antonino T. Aquino	3/3	100%
Jaime C. Laya	3/3	100%
Oscar S. Reyes	2/3	67%

Director and Senior Executive Compensation

G4-51, G4-52

Each director of the Corporation shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his or her services as director. The Board of Directors shall have the sole authority to determine the amount, form, and structure of the fees and other compensation of directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Corporation during the preceding year.

The total compensation paid to the CEO and key officers of management is disclosed in the Definitive Information Statement sent to all shareholders. The total annual compensation reported includes the basic salary and other variable pay, such as performance-based cash bonuses and the exercise of previously granted Employee Stock Option Plans or the current ESOWN, if any.

Non-executive directors receive remuneration consisting of a fixed annual retainer fee of P1,000,000 and a fixed per diem of P200,000 for each regular Board meeting attended. There were a total of seven regular Board meetings in 2013. In addition, non-executive directors are also entitled to a per diem of P100,000 per Board Committee meeting attended. The remuneration of non-executive directors was approved and ratified during the 2012 Annual Stockholders' Meeting.

None of the directors, in his or her personal capacity, has been contracted and compensated by the Company for services other than those provided as a director. The Company has no other arrangement with regards to the remuneration of its directors and officers aside from the compensation received as herein stated.

Security Ownership of Directors as of January 31, 2013:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of outstanding shares
Common	Fernando Zobel de Ayala	12,000 (direct)	Filipino	0.00004%
Common	Jaime Augusto Zobel de Ayala	12,000 (direct)	Filipino	0.00004%
Common	Antonino T. Aquino	18,204,452 (direct & indirect)	Filipino	0.06788%
Common	Mercedita S. Nolledo	406,305 (direct & indirect)	Filipino	0.00152%
Common	Jaime C. Laya	10,000 (direct)	Filipino	0.00004%
Common	Oscar S. Reyes	231,601 (direct & indirect)	Filipino	0.00086%
Common	Delfin L. Lazaro	1 (direct)	Filipino	0.00000%
Common	Francis G. Estrada	1 (direct)	Filipino	0.00000%
Common	Aurelio R. Montinola III	3,579 (direct & indirect)	Filipino	0.00001%

MANAGEMENT

In addition to the various Board-level committees, the Company has also put in place a management committee to guide the critical decision-making and key governance processes required at the management level in overseeing individual business units, projects and support functions, as shown in our Governance Structure chart. The Company is cognizant of the importance of having clear policies, adopting best practices and maintaining strong internal controls to support effective corporate governance.

Along with the members of the Board, the Company requires members of the Management Committee and other key officers to receive periodic training in corporate governance. As of year-end 2013, all members of the Management Committee and key officers have been certified for having attended accredited corporate governance training programs. We also rolled out in 2010 an internal training module for corporate governance that is attended by all new employees of the Company to effectively broaden their awareness on the principles of good corporate governance.

Corporate Objectives

It is our fundamental belief that adherence to strong governance practices was crucial in attaining our corporate goals. In 2009, the Company communicated to the market a 5-year plan which aimed to achieve a net income of P10 billion and a 15% return on equity in five years. With a solid and aggressive expansion program in place, anchored on growth, margin improvement, capital efficiency, organizational development and brand-building, Ayala Land was able to surpass its bottomline target a full year earlier. On the operations side, the Company is on-track with doubling gross leasable area in shopping centers, tripling office gross leasable area and quadrupling its number of hotel rooms from 2009 levels.

Shareholder Value Creation

We seek to consistently improve the Company's business fundamentals and prospects in order to deliver increasing value to our shareholders' investments in the Company over time. Our strategies, business models and operating plans are all oriented towards the achievement of consistent progress in our operating and financial results and, therefore, the underlying determinants of firm value. Specific targets relating to key metrics such as growth, profitability, return on equity, asset efficiency and total shareholder return are set and incorporated into the management team's Key Result Areas on a corporate, divisional and individual basis. These are approved, measured and tracked by the Board, and form the basis of management promotions, allocation of a performance-based cash bonus, and ESOWN grants. This process ensures optimal alignment of incentives between shareholders and management.

Dividend Policy

Dividends declared by Ayala Land on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors. Special cash dividends are declared depending on the availability of cash, taking into account the Company's capital expenditure and project requirements and the progress of its on-going asset rationalization program. Cash dividends are subject to approval by the Board of Directors but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Board of Directors and stockholders. In addition, payment of stock dividends is likewise subject to the approval of the Securities and Exchange Commission and the Philippine Stock Exchange. In line with the announced 5-year plan, the Company is targeting a 50% dividend payout ratio in 2014, which we feel will be a sustainable level.

ACCOUNTABILITY AND AUDIT G4-47

The Audit and Risk Committee provides oversight to internal and external auditors.

Internal Audit

The Internal Audit Division (IAD), headed by Mr. Leovigildo D. Abot as Chief Audit Executive, reports to the Audit and Risk Committee of the Board. The IAD provides independent and objective assurance and advisory services to the Company. Through the Audit and Risk Committee, the IAD assists the Board in the discharge of its duties and responsibilities as provided for in the SEC's 2009 Revised Code of Corporate Governance.

The IAD executed its audit activities for 2013 in accordance with the risk-based and process-focused audit approach. This approach is in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards) and likewise complies with the SEC's 2009 Revised Code of Corporate Governance.

The Company continues to improve the internal audit function by benchmarking against best practices. For example, IAD implemented Control Self Assessments (CSA) in some business units using facilitated discussions and questionnaires (hybrid approach). CSA is a process through which internal control effectiveness is examined and assessed by the audit client (i.e. process owners) and validated by IAD. The objective is to provide reasonable assurance that all business objectives of business units will be met through the process owners' assessment of how well things work at their end. Overall, we believe that the process resulted in more efficient and effective business processes through improved internal controls and increased employee morale. Moving forward, CSA will become regular audit projects by IAD to include all the other business units and processes.

External Quality Assurance Review G4-33

An external assessment opinion by Punongbayan & Araullo (P&A), a member firm within Grant Thornton International Ltd, in 2012 concluded that the Company's internal audit activities generally conforms with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) as issued by the Institute of Internal Auditors (IIA).

Internal Auditing Standard 1312 of the Institute of Internal Auditors (IIA) requires that external assessments be conducted by a qualified independent reviewer or review team from outside the Company at least once every five years.

Aside from compliance with IIA's International Professional Practices Framework which includes the definition of Internal Auditing, the ISPPIA and the Code of Ethics, the EQAR covered the assessment of IAD's compliance with its charter, plans, policies, procedures, practices and applicable legislative and regulatory requirements; expectations of the IAD as expressed by stakeholders (includes the Board of Directors and Audit and Risk Committee, Senior Management and IAD's auditees); integration of the IAD into the organization's governance process, including the attendant relationships between and among the key groups involved in that process; tools and techniques employed by the IAD; mix of knowledge, experience and disciplines within the staff, including staff focus on process improvement; and areas on which the IAD is able to add value to help improve the organization's operations.

Independent Public Accountants

The principal accountant and external auditor of the Company is the accounting firm of SGV, with Ms. Jessie D. Cabaluna as the Partner-in-Charge for the 2013 audit year. The Company and its various subsidiaries and affiliates paid SGV a total of P17.6 million and P17.6 million (inclusive of VAT) for audit and audit-related fees in 2013 and 2012, respectively. No other fees have been paid for assurance and other related services for the past two years.

Risk Management

The Board and Management Team remain firmly committed to the effective management and mitigation of strategic, operational, financial and compliance-related risks throughout the organization. A key joint responsibility of the Board and the Management Team is to ensure the presence of adequate and effective organizational and procedural controls, supported by management information systems and a risk identification, mitigation, monitoring and reporting system. Key risk management initiatives implemented in 2013 are discussed in the Risk Management Report on page 71. G4-46

ETHICS AND INTEGRITY

G4-37, G4-49, G4-50, G4-56, G4-57, G4-58

Ayala Land has consistently affirmed its commitment and fidelity to its values and to doing things the right way. We have established the Code of Ethical Behavior for all employees, the Code of Ethical Procurement Conduct for all those who influence the procurement process, as well as the Vendor's Code of Ethics. Alongside all initiatives to promote good corporate governance, several enhancements were introduced by the Company, as recommended by IAD to promote a high standard of quality and business integrity during the conduct of our business.

Conflict of Interest G4-41

The personal interest of directors, key officers and employees should never prevail over the interest of the Company. If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision-making.

The IAD has aligned the policies on conflict of interest of Ayala Land with the subsidiaries and affiliates to facilitate a group-wide implementation. The amended group-wide policy will continue to require strict compliance by all employees to file their Annual Business Interests and Related Party Disclosure forms with their respective Human Resources Division (HRD) which will then be submitted for consolidation and filing. IAD will then review the disclosures and conduct audit to check compliance.

Related Party Transactions

The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts and development, management, underwriting, marketing, leasing and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions.

Whistle-blowing Policy

The Company has expanded the coverage of its whistle-blowing policy to include employees of Ayala Land's subsidiaries, affiliates, agents, suppliers or vendors, customers and the general public. The amended and expanded policy defines conditions or concerns which can be reported by any individual or organization who becomes aware of or suspects any irregularities or misconduct by employees through secure channels.

Business Integrity Channels

The Company's business integrity channels are communication facilities that enable individuals to freely report fraud, violations of laws, rules and regulations or misconduct to people of authority without fear of retaliation. These secured channels provide concerned individuals all possible means to come forward and report their concerns either through electronic mail, telephone, fax, post mail, website or face-to-face discussions. These reports go through a formal investigation process, which could include a vendor audit, led by an Ethics Committee.

Ethics Committee

The Ethics Committee, which has a direct reporting line to the Audit and Risk Committee, shall be chaired by the Head of HRD and will be composed by selected members of the IAD, Risk Management Division and Ayala Group Legal Counsel. The committee shall evaluate and resolve concerns received via the business integrity channels to ensure just and prompt resolution.

Vendor Audit

The IAD started implementing vendor audit in 2012 in accordance with the provision in the Vendor's Code of Ethics. This is to ensure that vendors strictly comply with company policies to prevent the occurrence of fraudulent activities.

RIGHTS OF SHAREHOLDERS

The Board of Directors is committed to respect and promote shareholder rights, remove impediments to the exercise of shareholder rights and recognize lawful mechanisms to seek redress for violation of their rights. Shareholders have the right to participate in decisions concerning fundamental corporate changes such as but not limited to amendments to the Company's constitution, authorization of additional shares, transfer of all or a substantial portion of the Company's assets, approve remuneration matters, nominate candidates for the Board and to elect Directors individually through voting.

Each share of stock entitles the person in whose name it is registered in the books of the Company to one vote, provided that the conditions as regards to payment subject to which it was issued have been complied with. The election of Directors shall be by ballot and each shareholder entitled to vote may cast the vote to which the number of share he or she owns entitles him or her for as many persons as many votes as the number of Directors to be elected multiplied by the number of his or her shares shall equal, or he or she may distribute them on the same principle among as many candidates as he or she may see fit, provided that the whole number of votes cast by him or her shall not exceed the number of shares owned by him or her multiplied by the whole number of Directors to be elected.

Shareholders are given the opportunity to approve remuneration matters of the Company's non-executive directors during general meetings, whether regular or special. Each shareholder may cast votes to which the number of share he or she owns entitles him or her. The last increase in remuneration (annual retainer fee, board and committee meetings per diem) of non-executive directors was approved during the 2011 Annual Shareholders' Meeting held on April 13, 2011.

Minority shareholders maintain the right to nominate candidates for the Board of Directors. The list of the names of the nominees to the Board of Directors, together with the written consent of the nominees shall be filed and submitted to the Nomination Committee through the Office of the Corporate Secretary at least 30 business days prior to the date set for the annual meeting wherein they will be elected. The profile of directors seeking election or re-election is included in the Definitive Information Statement.

The Company encourages shareholders to attend the Annual Stockholders' Meeting and directly communicates with institutional and individual investors through quarterly corporate briefings, one-on-one discussions, conference calls and written platforms such as electronic mail. The minutes of the most recent Annual Stockholders' Meeting details all significant and relevant queries and comments raised by shareholders.

Selection Process for New Directors G4-40

Ayala Land, Inc., through its Nomination Committee, implements and maintains a process which ensures that all directors nominated for election during the Annual Stockholders' Meeting have all the qualifications and none of the disqualifications as stated in the By-Laws and Manual of Corporate Governance. To ensure diversity of experience and sound backgrounds, nominated directors shall have the following qualifications:

- Ownership of at least one share of the capital stock of the Corporation
- A college degree or its equivalent or adequate competence and understanding of the fundamentals of the real estate industry or sufficient experience and competence in managing a business to substitute for such formal education
- Membership in good standing in relevant industry and membership in business or professional organizations
- Possesses integrity, probity and shall be diligent and assiduous in the performance of his or her functions

MANAGEMENT OF STAKEHOLDER RELATIONS

G4-24 to G4-27

We believe that our long-term success rests on the support and contribution of different stakeholders, including our shareholders, customers, business partners, employees, the communities around our developments, the government, non-government organizations (NGOs) and the media.

Shareholders

- We are committed to disclosing timely, accurate and materially relevant information to our shareholders and the investing public about the Company.
- We place high importance to the Annual Stockholders' Meeting (ASM) and its voting exercise to protect the rights and interests of all our shareholders.

- We have also established a shareholder communication program to address the various information requirements of the investing community on a daily basis.

Customers

- Our customers contribute significantly to the success of our Company.
- We are unrelenting towards further strengthening the trust and confidence of our customers by constantly ensuring on-time delivery of best-in-class products and services.
- We continuously sharpen customer focus and accountability and have considerably improved our service levels across all customer-facing units through dedicated service and relationship management teams.

Business Partners

- We strive to forge long-term and mutually-beneficial relationships with our business partners through impartial dealings and adherence to the highest level of moral and ethical conduct.
- We acknowledge the rights of creditors as stakeholders and are committed to honoring our contracted financial obligations and any financial covenants these may contain.
- We present creditors with readily available information required to evaluate the Company's credit standing.
- We also believe in granting equal opportunities to, and promoting fair and open competition among vendors and trade partners by encouraging the highest level of productivity, efficiency, quality and cost-competitiveness.

Employees

- We endeavor to establish a suitable environment for continuous learning and development for our people.
- We offer quality training opportunities and custom-fit courses under the Individual Development Plan (IDP) process that enable our employees to upgrade their skill-set and perform at optimum levels.
- These training modules cover business and technical knowledge, skill-building, values, ethics and corporate governance.
- We have also implemented a "Professionals-in-Development" (PID) program designed to systematically introduce and train new recruits of the organization.

Communities

- As a premier and responsible land and community developer, we are aware that our projects have a significant impact in the areas in which we operate.
- We are dedicated to improve the quality of life not only of our customers but also of the families and people in the communities that surround our developments and society as a whole.
- Details of our community engagement and the beneficiaries of our programs are discussed in the Social Indicators section of this report, which start on page 99.

Government

- The Company is steadfast in its role in economic development and nation-building.
- We consistently work hand in hand with the government, both at the national and local levels, to address various environmental and social issues.
- We constantly seek to partner with the public sector in developing business solutions, initiatives and infrastructure platforms that may serve as catalysts for social progress and contribute to raising the standard of living of people in the communities we serve and develop.
- The Company supports the government's anti-money laundering campaign and other laws by complying with all regulations imposed by regulators and other government institutions.

NGOs

- We team up with reputable NGOs and corporate foundations for their expertise in providing meaningful and effective engagement with the communities that we serve.
- We also make available additional resources to augment their capacity and capability to increase their contribution to society.
- We have lasting partnerships with established NGOs who assist us in addressing some of the needs of the communities surrounding our developments through livelihood programs and employment opportunities.
- We likewise coordinate with the Ayala Foundation for the provision of educational grants to qualified students in public schools around the country.

Media

- We work closely with the media to properly disseminate timely and accurate news and information on the Company's activities to the general public.
- We consider the media as partners in our open and transparent approach to communication.
- Our Corporate Communications Division engages the media on a regular basis through multiple channels such as media conferences, briefings, news releases, fact sheets, social gatherings, one-on-one meetings and through third-party consultants.
- We occasionally support media-initiated causes and events that are aligned with our principles and advocacies.

DISCLOSURE AND TRANSPARENCY G4-49

We are committed to the highest standards of disclosure, transparency and fairness in information dissemination. We provide the public with strategic, operating and financial information through adequate and timely disclosure filings submitted to the regulatory authorities such as the SEC, PSE and Philippine Dealing and Exchange Corporation (PDEx). Along with regular periodic reports, we disclose any and all material information about the Company that may have an impact on the Company's valuation, and therefore its stock price, and the trading volume of its securities. All disclosures are immediately posted on our Investor Relations website and may be accessed through the following link:

http://ir.ayalaland.com.ph/Disclosures.aspx

Analyst Briefings and Conferences

We address the various information requirements of the investing public through our Investor Communications and Compliance Division, which reports directly to the Chief Finance Officer (CFO). We conduct quarterly analyst briefings for both equity and credit analysts and communicate directly with institutional and individual investors through one-on-one meetings, conference calls and written communications such as electronic mail. Analysts and investors who are unable to attend our quarterly briefings in person are also invited to participate through a teleconference facility. We also have a continuing program of enhancing our Investor Relations website, which includes podcasts of our quarterly briefings. A playback facility on our website is available for three business days after each briefing.

Throughout the year, our CEO, CFO, Head of Investor Communications and Compliance, and other members of the Management Committee (where appropriate) make themselves available for meetings with institutional investors through pre-arranged company visits, teleconferences, analyst briefings and attendance in local and international investor conferences, corporate days and non-deal roadshows. In 2013, senior management met with institutional investors and fund managers in 24 conferences and corporate day events held in Manila, Singapore, Hong Kong, Kuala Lumpur, Tokyo, Sydney, London, Edinburgh, Paris, Frankfurt, Boston, San Francisco and New York.

Ownership Structure

We regularly disclose the top 100 holders of our common and preferred shares, the security ownership of beneficial owners having more than 5% of the Company's total outstanding stock, and the shareholdings of members of the Board of Directors and key management officers in the Company. These are submitted to the SEC, PSE and PDEx and made available to the general public on a quarterly basis through postings on our Investor Relations website and annually in the Definitive Information Statement sent to our shareholders. We also disclose the percentage of foreign ownership in the Company on a monthly basis. As of December 31, 2013, total number of shares owned by the public amounted to 7,122,228,787 shares, equivalent to 50% of total outstanding shares. G4-7

Financial Reporting

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The accounting policies adopted in 2013 are consistent with those of the previous financial year, except for the implementation of new and amended PFRS which became effective January 1, 2013. These changes in Accounting Policies are fully explained in the Notes to the Audited Consolidated Financial Statements, beginning on page 133.

DEALINGS IN SECURITIES

We continue to strictly implement guidelines covering securities dealings to comply with existing government regulations.

Insider Trading Policy

Any change in personal shareholdings in the Company of Directors and key officers resulting from open market transactions or the grant of shares from incentive-based schemes implemented by the Company are reported to the SEC, PSE and PDEx within specified deadlines. The Company strictly enforces and monitors compliance with its policy on insider trading which prohibits the buying or selling of Company securities during prescribed periods by covered persons which include members of the Board of Directors, all members of the Management Team, consultants, advisers and other employees who have been made aware of undisclosed material information with respect to the Company and its operations. This restriction is expanded to include the immediate family members of the parties mentioned.

The trading black-outs cover 10 trading days before and three trading days after the date of disclosure of quarterly and annual financial results. For cases of non-structured disclosure of other material information, the black-out covers three trading days before and after the date of disclosure. All members of the Company's Management Team are mandated to submit an annual certification signifying that they have not transacted in the Company's shares during any of the previous year's trading black-out periods. This process of certification is conducted during the month of January of each year. There has not been any case of insider trading involving company directors or management in the last six years.

AWARDS AND RECOGNITION

GOVERNANCE and SUSTAINABILITY

- Platinum Award for All Around Excellence, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations | The Asset Magazine
- Overall Best Managed Large Capital Company | Asiamoney
- Best Overall Developer | Euromoney
- Corporate Governance Asia Recognition Award for Best Environmental Responsibility | 3rd Asian Excellence Awards
- The only Philippine company included in the Dow Jones Sustainability Index for 2013
- Excellence in Ecology and Economy Awards Citation | Philippine Chamber of Commerce Inc. (PCCI)
- Best Submissions from the Philippines (Country Award) | APREA Best Practices Awards
- Best Investor Relations by a Philippine Company (Certificate of Excellence) | IR Magazine
- Top 25 Ranking | IR Magazine Southeast Asia
- Best Managed Company (2nd place) | Finance Asia
- Best in Corporate Governance (3rd place) | Finance Asia
- Asia's Best Investor Relations Professional (3rd place) - Ms. Pamela Ann T. Perez | Institutional Investor

PROPERTY

- Real Estate Personality of the Year – Mr. Antonino T. Aquino | 2013 Philippine Property Awards

RESIDENTIAL

- Best Housing Development Ridgeview Estates NUVALI | 2013 Philippine Property Awards (Highly Commended)
- Best Mid-Range Condo Development in Metro Manila - Avida Towers 9th Avenue Bonifacio Global City |2013 Philippine Property Awards (Winner)
- Best Condo Development in Cebu City - Avida Towers Riala | 2013 Philippine Property Awards (Highly Commended)
- Best Residential Agent - Alveo Land | 2013 Philippine Property Awards (Winner)

SHOPPING CENTERS

- Gold Medal New Media Integrated Digital Campaign | ICSC Asia Pacific Shopping Centers Awards (Glorietta)
- Silver Medal Traditional Marketing - Public Relations and Events | ICSC Asia Pacific Shopping Centers (Alabang Town Center)
- Best Commercial Architectural Design - Marquee Mall | 2013 Philippine Property Awards (Highly Commended)
- Award of Excellence - Ayala Center Cebu's I Am Woman | Public Relations Society of the Philippines' Anvil Awards
- Award of Merit - The New Glorietta Vibe | Public Relations Society of the Philippines' Anvil Awards
- Award of Merit - Ayala Malls' Art in the Malls | Public Relations Society of the Philippines' Anvil Awards

HOTELS AND RESORTS

- Best Hotel Architectural Design - Fairmont Makati, Raffles Makati and Raffles Residences | 2013 Philippine Property Awards
- Community Benefit Award, Tourism for Tomorrow | World Travel and Tourism Council (El Nido Resorts)
- Best Eco-Friendly Initiative (Miniloc Island, El Nido Resorts) | AsiaRooms Hotel Awards 2013
- Best Leisure Hotel and Resort (Lagen Island, El Nido Resorts) | Smart Travel Asia Best in Travel Poll 2013
- 9 Top Beach Resorts in South China Sea (El Nido Resorts) | CNN Travel Citation
- World's 100 Best Beaches | CNN Travel Citation
- Hottest Travel Destination of 2013 | Travel+Leisure
- 46 Places to Go in 2013 (Pangulasian Island, El Nido Resorts) | New York Times
- 2013 Best New Hotels (Pangulasian Island, El Nido Resorts) | CondéNast Traveler
- Top 2013 Destinations to Watch (Pangulasian Island, El Nido Resorts) | CondéNast Traveler

As with respect to Corporate Governance, the Company has received multiple citations from various award-giving bodies in recognition of its adherence to the highest standards and practices.

ANTI-MONEY LAUNDERING

As a covered institution, the Company complies with all the rules, regulations and directives issued by the Bangko Sentral ng Pilipinas and its Anti-Money Laundering Council (AMLC). These cover general information and documentation requirements for customers, record-keeping standards and the reporting of covered and/or suspicious transactions. We have an internal Anti-Money Laundering Compliance Committee that meets quarterly to review and discuss specific transactions (if any), possible changes in the regulatory environment, enhancements to documentation and front-liner training, and other issues. We cooperate fully with any investigation proceedings or request for documentation or information initiated by the AMLC. We also engage them regularly in productive discussions on how we can further enhance our participation in the prevention of money laundering activities.

COMPLIANCE OFFICER

Jaime E. Ysmael, who is our Chief Finance Officer and holds the position of Senior Vice President, is the Compliance Officer designated to ensure adherence with corporate governance best practices as well as compliance with all regulations that cover the Company. Pamela Ann T. Perez, who is our Head for Investor Communications and Compliance Division, is our Deputy Compliance Officer.

ASIA PACIFIC REAL ESTATE ASSOCIATION

As a full member of the Asia Pacific Real Estate Association (APREA), Ayala Land is committed to promoting and preserving best industry practices in the region. To the extent applicable, most of the recommendations by APREA contained in the 2nd edition of the Best Practices Handbook under Market Disclosure, Accounting and Financial Reporting and Corporate Governance categories that are also required under Philippine laws and conform with global accounting and reporting standards, are being adopted by Ayala Land. Further, with respect to Corporate Governance, the Company has received multiple citations from various award-giving bodies in recognition of its adherence to the highest standards and practices. G4-16

RISK MANAGEMENT

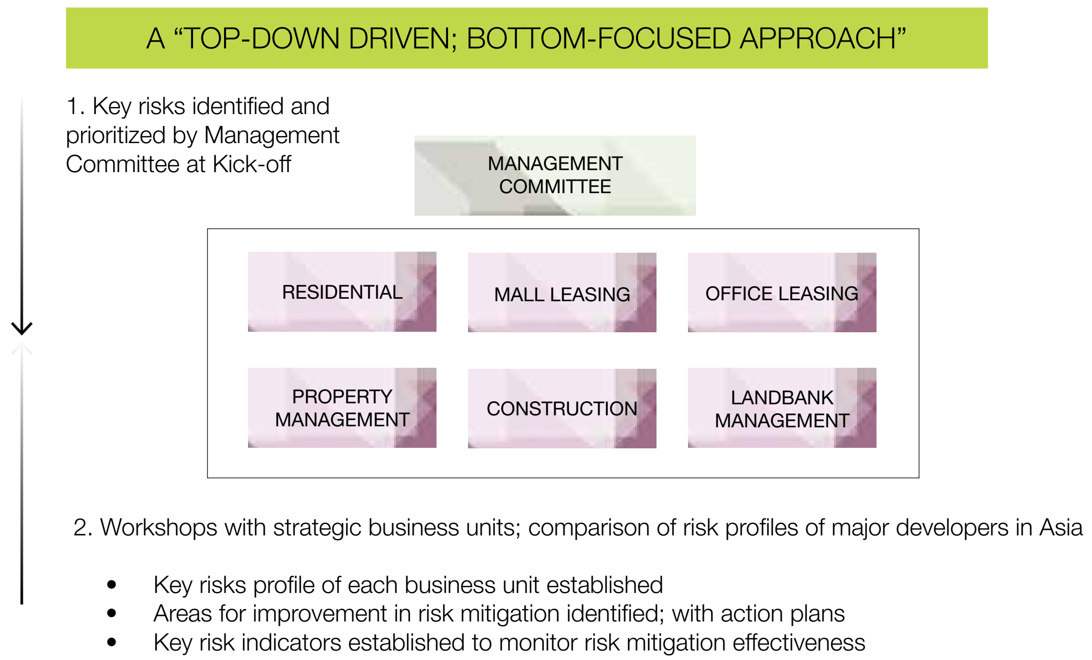
G4-2, G4-46

The third year of our Enterprise-Wide Risk Management (EWRM) program implementation marked the full cycle of the Company's Risk Management process. In 2013, a complete risk review was conducted for the major business units of the company to revisit their risk profiles and to integrate changes in their risk environments as the company evolves and ventures into new market segments and business lines. 2013 also marks the significant progress in the Company's Business Continuity Management (BCM) Program and the establishment of the ALI Safety Council.

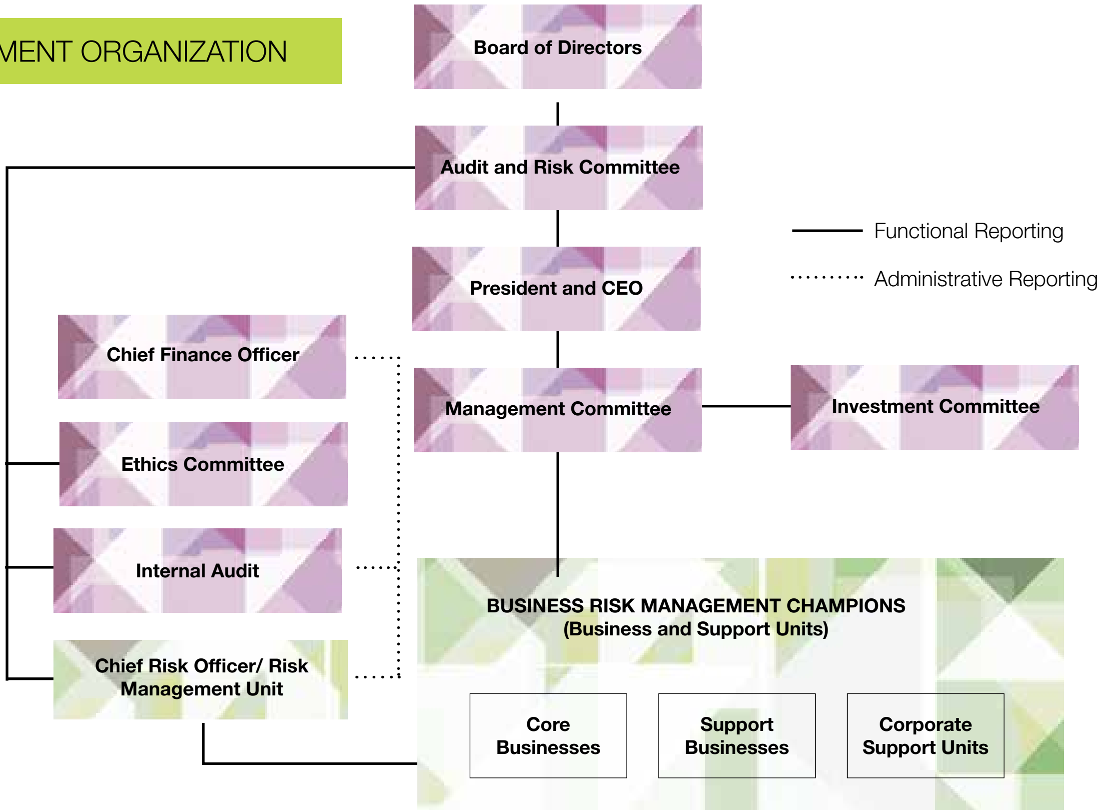
REVISITING THE EWRM PROGRAM

In 2010, the company engaged an external consultant to guide the key business units and the Risk Management unit of the Company in the implementation of the EWRM program. The six major strategic business units (SBUs) covered by the initial implementation and the risk assessment approach and process are presented below:

For the past three years after the initial implementation of the program, each of these six business units had been religiously monitoring the status of the identified risks they owned, ensuring that mitigation and control activities for each risk still apply, and executing the committed action plans to drive down the risks to acceptable levels.



RISK MANAGEMENT ORGANIZATION



Risks which cut across several SBUs are likewise monitored and evaluated for significance.

In 2013, after the program had been rolled out to the critical corporate support groups and to the new business lines of the company, and given the changes in the market landscape and business growth after three years, the Company deemed it appropriate to revisit the risks of the major SBUs covered by the initial rollout. The revisit is mainly to ascertain that the risks being monitored are still relevant and to identify new and emerging risks which were not immediately identifiable three years ago. The participants engaged in the revisit comprised each SBU's senior management team.

Through facilitated workshops, key risks for each business unit were discussed, leading to the drawing-up of action plans primarily aimed at understanding and enhancing the particular SBU's risk management capabilities. Review of Key Risk Indicators (KRI) was also done to ensure that the business units are able to reasonably track and assess, on a continuing basis, that their key identified risks are effectively managed.

THE AYALA LAND RISK MANAGEMENT POLICY

Another major highlight of the EWRM Program is the approval of the company's Risk Management policy. The Audit and Risk Committee approval of the document was a necessary step to formalize the established practices and procedures that govern the integrated risk management process within the Company.

These risk management policies:

- Defined the framework that is being used for risk management in the Company
- Formally established the organizational accountabilities for the implementation of the risk management framework
- Laid out the roles and responsibilities of each party in performing their tasks to contribute and strengthen over-all risk management in the conduct of business

BUSINESS CONTINUITY MANAGEMENT PROGRESS

This year marked the full integration of BCM into the EWRM process. As a major risk mitigation measure of the company, this program has been given special focus, with a great deal of planning done at SBU levels based on scenarios and a methodology conforming to global standards and at par with best practices.

Since the BCM implementation in 2012, various changes have been incorporated to the individual SBU plans to adapt to their changing environments and the growing business such as:

- Updating the Company's BCM organizational structure to adapt to the corporate organizational movements necessary in aligning to the Company's growth;
- Incorporating lessons learned from past disaster occurrences and exigencies;
- Enhancing previous action plans with the use of newer and better technology.

However, effective BCM goes beyond drawing up and improving the plans. In 2013, the Risk Management unit spearheaded and facilitated the conduct of the actual testing of Business Continuity Plans (BCP) for the Company's major business units. The following SBUs have conducted "Loss of Premises scenario" drill: MDC, APMC, ALI CBG, PhilEnergy, Directpower, Aprisa, Resorts Operations and various ALI units (Finance, HR and External Affairs, Corporate Planning, International and Healthcare, and Strategic Landbank Management).

These drills paved the way for the identification of major areas for improvement to ensure the immediate resumption of critical business operations and that delivery of essential business services will continue when a disruptive event occurs which would adversely impact people and business objectives.

As a major risk mitigation measure of the company, Business Continuity Management has been given special focus, with a great deal of planning done at SBU levels based on scenarios and a methodology conforming to global standards and at par with best practices.

ESTABLISHMENT OF AN AYALA LAND SAFETY COUNCIL G4-36

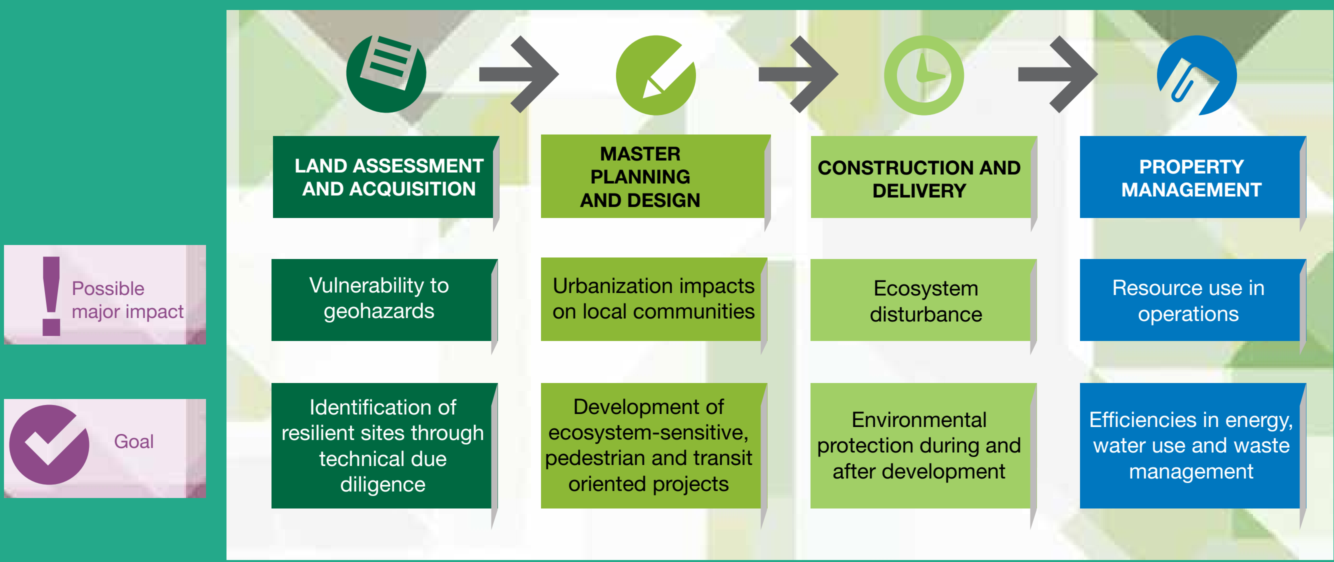
Towards the end of 2013, the Company focused its sight on further enhancing its risk management program and loss prevention activities. A Safety Council was conceptualized and formed to provide oversight function and develop programs to raise the level of safety in all of the Company's commercial property operations, estate management and development activities.

A corporate Safety Office under the Safety Council is in the formation stage and is intended to proactively and effectively drive safety programs in the Company from design stage to construction and operations. Key personnel and executives have been identified and assigned to form the Safety Office which is envisioned to establish a level of safety in all Company-owned and managed properties, operations and construction projects, at par with global standards and best practices, and at a level equal to the Ayala brand and reputation.

HOW WE WORK G4-12, G4-14

Ayala Land's Sustainability Framework continues to evolve and over the past year we have identified key focus areas by addressing possible impacts at each stage of our business process and looking into how sustainability initiatives can support the Company's business targets. After assessing possible impacts on both the business and the context in which we work, we have identified the following goals at every step of our project development cycle. These goals will be further refined as new information and technologies are made available.

SUSTAINABILITY FRAMEWORK



SPECIFIC SUSTAINABILITY INDICATORS (G4-18 to G4-21)

The Company's board-level sustainability committee and technical working groups identified important sustainability focus areas that would respond to the Philippine development context, as well as create value for the company's products. To identify material aspects, key stakeholders from each step of our project development cycle and support units were invited to a series of discussions. Their insights were then cross-referenced with the results of surveys and secondary information to determine sustainability aspects that were important to our customer base and Philippine urban dwellers.

The discussions and validation with the board-level Sustainability Committee resulted in an articulation and ratification of Ayala Land's sustainability focus areas towards ensuring that project design, execution and operation are guided by the principles of disaster-resilient land acquisition, storm-water and ecosystem sensitivity, pedestrian and transport connectivity, and contribution to local employment.

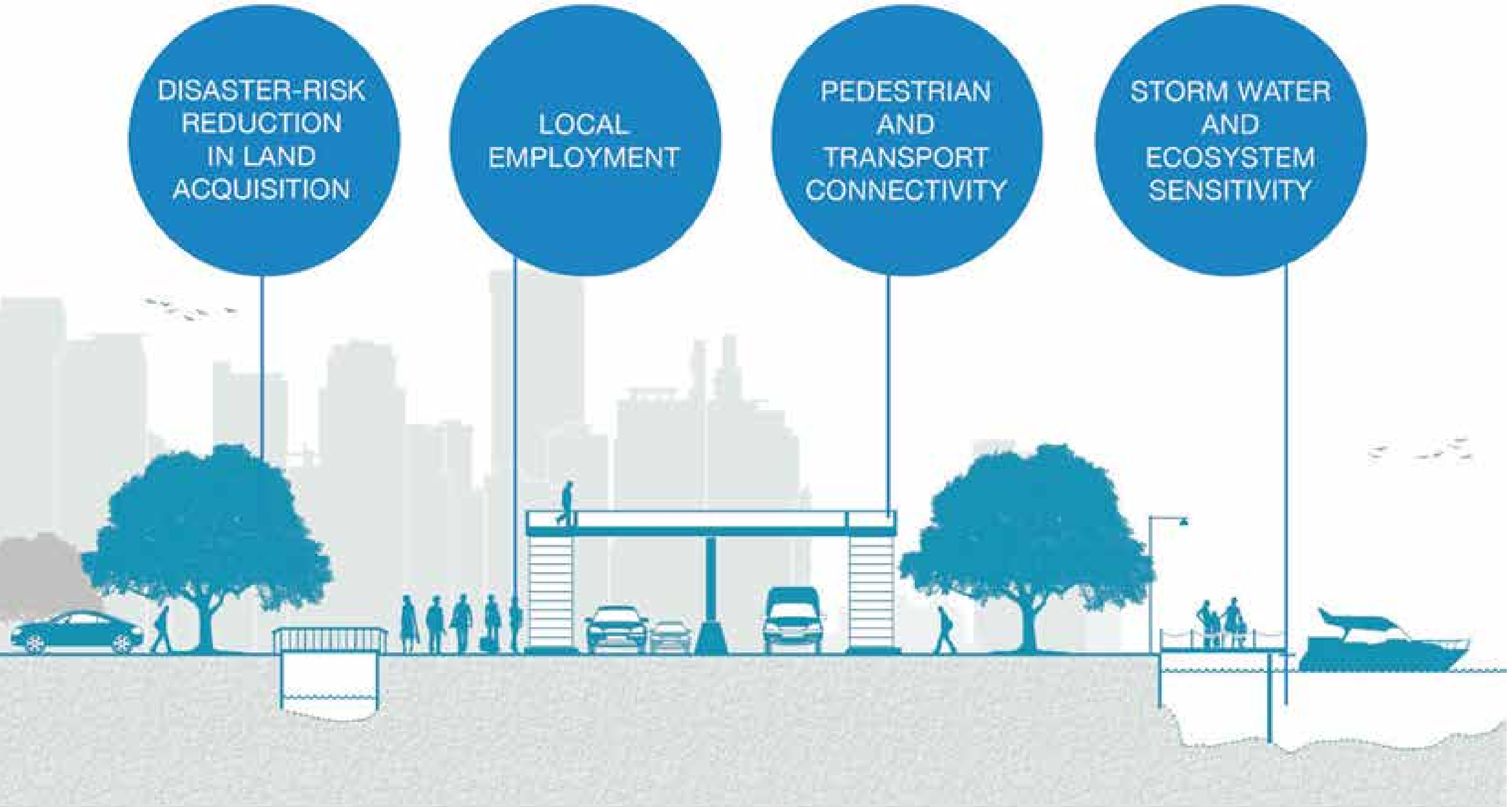
Transition to Integrated Reporting Using G4 Guidelines

In transitioning from GRI 3.1 to GRI G4, Ayala Land used G4 indicators, paying close attention to the disclosures on management approach (DMAs) as a means to benchmark its practices against global sustainability standards. The G4 guidelines were very useful in providing Ayala Land with a methodology for identifying its material sustainability concerns. The G4 specific standard disclosures indicators are currently useful for helping us create a baseline for Environment (EN) and Society (SO) aspects for which we sought TUV Rheinland external assurance, in accordance with GRI G4 Comprehensive G4-32. Because they were material to us, we also had our Construction and Real Estate sector-specific indicators (CRE) externally assured. G4-33

This transition to Integrated Reporting also includes reporting sustainability aspects alongside the financial metrics of our business units. We shall continue to improve on our sustainability reporting practices to increase conciseness and relevance to our focus areas, and contribute to the community of practice towards improved integrated reporting.

For more information on our sustainability-related initiatives, please visit www.ayalaland.com.ph/sustainability.

MATERIALITY INDEX (G4-18 to G4-21)



MANAGEMENT APPROACHES TO SUSTAINABILITY ASPECTS MATERIAL TO AYALA LAND

ASPECT	LOCATION OF DISCLOSURE/DIRECT ANSWER G4-14	EXTERNAL ASSURANCE*
Disaster-resilient Land Acquisition	We undertake technical due diligence during land acquisition to screen properties for geohazards and ensure developments are resilient from natural disasters.	117
Contribution to Local Employment	We identify potential growth areas in the country and provide opportunities for local employment throughout the project development cycle. We help stimulate the local economy through our large scale mixed-use developments that cater to a wide range of local needs.	117
Pedestrian and Transit Friendliness	Our developments are designed to ensure facilities for pedestrians and public transportation to promote walkability, ease street congestion, and improve safety.	117
Storm water and Ecosystem Sensitivity	We endeavor to protect natural waterways and ecosystems in every step of our project development cycle.	117

*Column refers to External Assurance page number

ECONOMIC INDICATORS
(EC1 and EC9)

2013 Summary of Economic Value Generated and Distributed (In Million Pesos)

Generated	
Revenues	81,523
Net Income Before Non-Controlling Interest	14,305
Non-Controlling Interest	2,563
Net Income After Non-Controlling Interest	11,742
Distributed	
Employees (salaries and benefits)	5,805
Suppliers/contractors	54,680
Community investment (charitable contributions and donations)	317
Government (taxes)	6,416
Sub-Total	67,218
Stockholders (dividends)	4,129
TOTAL VALUE DISTRIBUTED	**71,347**
INVESTMENT CAPEX	**66,263**

Potential and Actual Employment Generated by Projects as of 2013

CONSTRUCTION PHASE
97,170

OPERATIONS
188,210

Approximately **280,000** jobs generated

Notes: (1) estimated, (2) potential jobs generated as submitted by business units

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect-Economic Performance		
G4-DMA	We develop integrated, masterplanned mixed-use communities in growth centers as platforms for our end-to-end real estate products–ranging from residential, retail and office developments, as well as hotels and island resorts, to construction and property management services. Our long-term growth is built on this market-leading platform and our five-pillar strategy of growth, margin improvement, capital efficiency, brand building and organizational development.	
G4-EC1	Direct economic value generated and distributed	Please see Business Review, Performance Highlights and Audited Financial Report.
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Our Enterprise-Wide Risk Management estimates the impacts of climate change on our properties, including its financial implications based on declared values and the extent of business interruption. Please see 'Risk Management.'
G4-EC3	Coverage of the organization's defined benefit plan obligations	Audited Financial Report
G4-EC4	Financial assistance received from government	Audited Financial Report
Aspect-Market Presence		
G4-DMA	Expansion into new growth centers provides us with opportunities for creative and sustainable solutions that distinguish our real-estate products. Our projects help stimulate the local economies, contribute to local employment, and improve public infrastructure where we establish our presence.	
EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	We provide equal compensation in compliance with existing government guidelines regardless of gender.
EC6	Proportion of senior management hired from the local community at significant locations of operation	100% of senior management is Filipino.

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect-Indirect Economic Impact		
G4-DMA	We see ourselves as a strong partner in nation building. (Please see Ayala Land Material Indicators.)	
EC7	Development and impact of infrastructure investments and services supported	Please see 'Restoring Communities, Rebuilding Lives.'
EC8	Significant indirect economic impacts, including the extent of impacts	Please see Chairman's and President's Messages.
Aspect-Procurement Practices		
G4-DMA	See Human Rights Supplier Assessments and Grievance Mechanism sections of the index	
EC9	Spending on local suppliers	Please see Economic Value Generated and Distributed Table.

ENVIRONMENTAL INDICATORS

Materials used by weight and volume* (EN1, G4-22)

MATERIALS	TOTAL CONSUMPTION 2013
Rebars/Steel (In metric tons)	96,648
Cement (In metric tons)	191,557.92
Cement (In number of bags, in millions)	4.8
Formworks (In cubic meters)	5,152,057.74

Note: Materials used versus 4,869,782.29 sqm of Construction Floor Area
Source: Makati Development Corporation

APMC-Managed Properties (G4-23)

ENERGY CONSUMPTION (EN3)				WATER CONSUMPTION (EN8)		
TOTAL CONSUMPTION (kWh)			PROPERTY TYPE	TOTAL CONSUMPTION (CUM)		
2011	2012	2013		2011	2012	2013
151,613,639	160,746,091	184,002,945	Malls	2,180,579	2,067,853	2,405,698
31,515,000	45,773,967	43,585,122	Office - Traditional	238,737	314,864	293,730
98,094,412	107,418,751	132,026,806	Office - BPO	678,424	814,227	1,016,892
11,885,358	15,706,966	16,261,224	Residential - RB	145,978	226,778	248,267
3,056,832	3,399,097	3,912,592	Residential - L&H	270,772	235,613	371,732
4,602,236	4,484,575	4,661,861	Car Parks	45,746	38,654	25,245
2,765,530	2,906,650	3,036,502	Estate	200,806	218,161	214,197
303,533,006	**340,436,096**	**387,487,052**	**TOTAL**	**3,761,043**	**3,916,152**	**4,575,760**

Source: Ayala Property Management Corporation

Energy Consumption Intensity (CRE1)

AVERAGE ENERGY CONSUMPTION

40.25

kWh/sqm/year in 2013

AVERAGE ENERGY INTENSITY REDUCTION

7% from previous year

Water Consumption Intensity (CRE2)

AVERAGE WATER CONSUMPTION

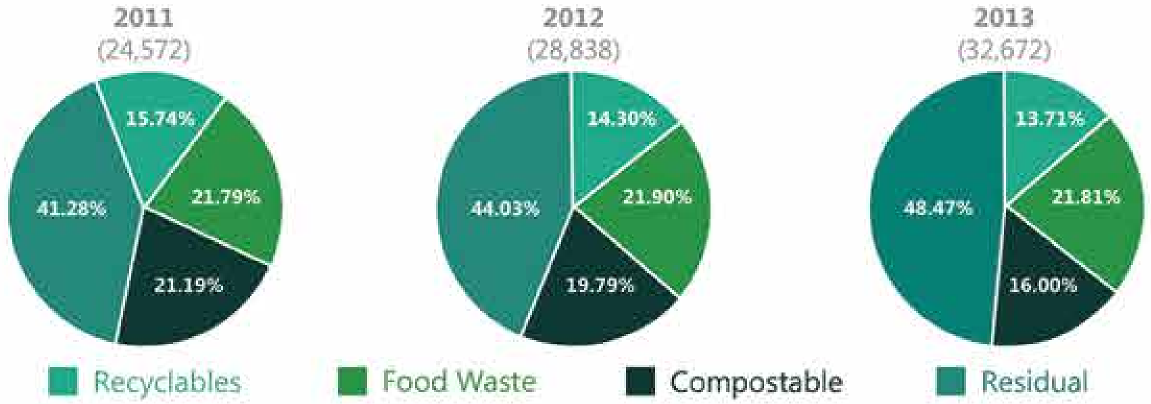
0.35

cum/sqm/year in 2013

AVERAGE WATER INTENSITY REDUCTION

9% from previous year

Waste Generation in APMC-Managed Properties (EN23)
(in '000 kg)



Source: Ayala Property Management Corporation

Greenhouse Gas Summaries*

SUMMARY (According to GHG protocol) (G4-23)	
SCOPE	GHG (t CO2e)
Scope 1 (Emissions from company operations) (EN15)	16,196
Scope 2 (Emissions from the generation of purchased or aquired energy) (EN16)	249,422
Scope 3 (Emissions that occur outside the organization) (EN17)	30,471
TOTAL	**296,089**

SUMMARY (Managed Properties and Construction Activities) (G4-23)					
Managed Properties	Total GHG (t CO2e)	Intensity per unit (CRE3)	Construction Activities	Total GHG (t CO2e)	Intensity (CRE4)
Malls	117,393.62	297/sqm GLA	**Malls**	1,055.40	10.20/sqm CFA
Offices	107,099.00	225/sqm GLA	**Office Buildings**	1,552.20	8.60/sqm CFA
Residential (Scope 3)	30,471.00	35/sqm	**Residential**	5,543.20	1.50/sqm CFA
Hotels and Resorts	21,923.05	48 kg/room/day	**Integrated** (Office and Mall)	102.20	0.30/sqm CFA
Car Parks	2,812.00	19.5/sqm	**Site Development**	303.70	6.60 kg CO2e/m2
Estate	427.00	0.3/sqm	**Others****	361.80	15.10/sqm CFA
			Batching Plant	6,367.30	16 kg CO2e/cum output
			Land Development and Landscaping	677.20	0.3 kg/ha of land developed
TOTAL	**280,125.67**		**TOTAL**	**15,963.00**	
GRAND TOTAL GHG (t CO2e) 296,088.7					

* Notes on the computations: Only those properties where we have operational control were included in the computations. Standards used for the computation are the GHG Protocol Corporate Standards. Calculation tool for the fuel emission is the GHG Protocol Tool 5 - Stationary Combustion. Emission factors used for electricity are from the Philippine Department of Energy. Reference for the GWP rates is the 2007 IPCC 4th Assessment Report. Scope 2 Emission Factor is broken down into Luzon-Visayas Grid and Mindanao Grid. Gasses reported include carbon dioxide (CO_2), methane (CH_4), and nitrous oxide (N_2O). Ayala Land has no biogenic emissions. No year-on-year comparisons were made.

**Hotels, showrooms, recreational facilities, hospital, and infrastructure

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Aspect-Material			
G4-DMA	We optimize resources and materials efficiency in our construction activities.		yes, 117
EN1	Materials used by weight or volume	Please see 'Materials Used by Weight and Volume.' Please see also Construction story.	yes, 117
EN2	Percentage of materials used that are recycled input materials	Steel used by MDC contains 88.6% post-consumer recycled content. Cement contained 30% fly-ash replacement and 10.73% of formwork used this year were recycled materials. Concrete debris continued to be used as backfill where appropriate and applicable, although the quantity used in 2013 was not significant to report. 43% of waste from construction sites were also considered recyclable.	yes, 117
Aspect-Energy (G4-14)			
G4-DMA	The Philippines has one of the highest energy costs in Southeast Asia, and energy efficiency is as much a business decision as it is an environmental concern for Ayala Land. Energy savings are achieved by the company through: 1) the use of low-energy technology such as LED lights, motion sensors in common areas of new buildings, and retrofitting old ones, where appropriate; 2) management systems using intelligent energy-efficient equipment to control pumps and motors; and 3) inclusion of energy efficiency metrics in the property managers' performance evaluation. Ayala Land also has two new subsidiaries, PhilEnergy and DirectPower to design and install district cooling systems (DCS), engage in retail electricity supply, and explore new energy savings technologies for Ayala Land properties and other clients.		yes, 117
EN3	Energy consumption within the organization	APMC consumed 387, 487, 052 kWh while MDC posted 9,964,481 kWh of energy consumed in 2013. A total of 4,620,484 liters of diesel were also consumed.	yes, 117
EN4	Energy consumption outside of the organization	25 sold residential properties (vertical and horizontal developments) monitored for this report posted 55,826,133 kWh of consumed electricity.	yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Aspect-Energy G4-14			
EN5	Energy saved due to conservation and efficiency improvements	In 2013, APMC realized savings of 4.6 MWh from energy management initiatives involving new technologies (57%), demand monitoring and behavioral change (43%). This total figure included savings as a result of technologies put in place in 2010.	yes, 117
CRE1	Energy intensity	APMC reported an average consumption of 40.25 kWh/sqm/year in 2013 across managed properties and reduced their energy intensity by an average 7% over total area. There were still properties that increased their energy intensities mainly due to the volume of occupants and users. We continue to explore initiatives for better energy efficiencies.	yes, 117
EN6	Reduction of energy consumption	Various energy reduction technology projects implemented throughout 2013 posted actual savings of 747,803 kWh. They are expected to reduce annual energy requirements of various properties by 2,139,202 kWh in the next years.	yes, 117
EN7	Reductions in energy requirements of products and services	About 61% of the total annual projected savings, or a total of 1,335,779 kWh will come from energy improvements in 12 office buildings.	yes, 117
Aspect-Water (G4-14) G4-14			
G4-DMA	Ayala Land complies with national law (Philippine Water Code) and local policies regulating water extraction and utilization. Our developments utilize water district suppliers such as Manila Water and Maynilad if they operate in the project sites. For properties outside of their coverage area, Ayala Land coordinates with the local water district suppliers to lessen and ultimately eliminate the use of deepwell/ground water. Annually, we have a target water metric per type of property that is included in our Key Result Areas (KRA). Our target is to improve our performance by at least 3% year-on-year.		yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Aspect-Water			
CRE2	Building water intensity	Water intensity is at 0.35 cubic meter/square meter/year average across managed properties. APMC continues to implement water management initiatives resulting to reduction in water intensity by an average of 9% from previous years. In some developments, water intensity reductions were as high as 68% (RBG small developments) and 69% (estates). Higher efficiencies were made possible by addressing leaks and better monitoring.	yes, 117
EN8	Total water withdrawal by source	Please see APMC Managed Properties Table.	yes, 117
EN9	Water sources significantly affected by withdrawal of water	Ayala Land utilizes water district suppliers Manila Water and Maynilad in most of its projects, both of which are under government authority. Ground water withdrawal in projects that are outside water distribution coverage areas is not significant at this point, although efforts are being made to incorporate water conservation features in new large-scale projects. All projects are designed to connect to local water district providers, while treatment facilities, where appropriate, are designed to make water reuse possible. For example, grey water is re-used for landscaping and flushing in NUVALI's Evoliving Center, and as well as in El Nido Resorts, where water comes from desalination plants. As Ayala Land opens up more projects outside coverage areas, initiatives to monitor ground-water extraction and lessen dependence on deepwells through rainwater harvesting shall be undertaken.	yes, 117
EN10	Percentage and total volume of water recycled and reused	Water is reused and recycled at a small scale, i.e., for landscaping and toilet flushing, at NUVALI. Previous efforts at water reuse and recycling are on hold pending policy review. Treated water is not supplied by either Manila Water or Maynilad.	yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Biodiversity			
G4-DMA	Ayala Land abides by local and national Philippine law for biodiversity management. These laws include the National Integrated Protected Areas System, Wildlife Act, Environmental Impact Statement Law, and other relevant laws, directives and ordinances that protect biodiversity. Flora and fauna studies are part of our technical due diligence processes. These studies guide masterplanning exercises, and best efforts are undertaken to minimize any impact on the habitat. We have started to increase the number of native plant species in our urban developments and identify native and existing tree stands. We exert best efforts to maintain heritage and protected tree and plant species. We apply lessons learned from previous projects such as Anvaya and NUVALI to protect biodiversity, especially as we expand our hotels and resorts portfolio and move into environmentally significant areas in the Philippines. (See also EN12)		yes, 117
EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	El Nido Resorts is composed of island resorts totalling 25 hectares within the approximately 54,000-hectare Bacuit Bay Marine Protected Area (MPA). Anvaya Cove is located in a 470-hectare area which can potentially be declared for marine protection.	yes, 117
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Development projects have potential impacts on plants and wildlife in the vicinity of the projects, and on the quality of the top soil, fresh and marine water, and air. For normal construction operations, we conduct stabilization of ingress and egress of project site by gravel bedding to mitigate dust generation. For projects in the Bonifacio Global City, certain measures are mandated such as: 1.) wash bay; 2.) curb inlet protection; and 3.) sediment tank. For projects that aim for LEED certification, a more stringent measure is in place on top of the items mentioned above such as covering of soil stock pile, installation of sandbags and silt fence along the site perimeter, and berming, tagging and protection of trees near project site.	yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
		Biodiversity	
EN13	Habitats protected or restored	We are involved in the protection and restoration of the Bacuit Bay Marine Protected Area (MPA), home of our El Nido Resorts; and Subic Bay Area where Anvaya Cove, which can potentially be declared an MPA, is located.	yes, 117
EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	There are six IUCN Red List species in areas that are being developed or operated by Ayala Land. These are the: Palawan Peacock Pheasant (*Polyplectron napoleonis*), Palawan Hornbill (*Anthracoceros marchei*), Hawksbill Turtle (*Eretmochelys imbricata*), Green Turtle (*Chelonia mydas*), Mantanani Scops Owl (*Otus mantananensis*) in El Nido Resorts; and the Olive-Ridley turtle (*Lepidochelys olivacea*) at Anvaya Cove.	yes, 117
		Aspect-Emissions (G4-14, G4-23)	
G4-DMA	The Philippines currently does not have regulations and policies for emissions and mainly focuses on adaptation measures in its climate change policy. Ayala Land is voluntarily tracking its emissions. Its reduction policy increases efficiencies in energy use of our projects through design, technologies and behavioral approaches. By tracking, measuring, and refining our metrics, we are able to identify areas for improvement, as well as best practices that we can use for design, planning and operations.		yes, 117
EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	16,196 tons of CO2e	yes, 117
EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	249,422 tons of CO2e	yes, 117
EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	30,471 tons of CO2e	yes, 117
EN18 (G3.1)	Initiatives to reduce greenhouse gas emissions and reductions achieved	Intiatives include energy conservation measures (see Energy aspect) and the development of carbon sinks through tree planting and retention of mangroves, which we hope to compute as a future initiative.	yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
		Aspect-Emissions	
		The GHG inventory we commissioned for our 2013 performance has identified areas of our business where we can make significant reductions of our emissions.	
CRE3	Greenhouse gas intensity	See Summary (Managed Property and Construction Activities).	yes, 117
CRE4	Greenhouse gas emissions intensity from new construction and redevelopment activity	See Summary (Managed Property and Construction Activities).	yes, 117
CRE5	Land remediated and in need of remediation for the existing or intended land use	No land was remediated or in need for remediation in 2013.	yes, 117
EN19	Reduction of greenhouse gas (GHG) emissions	2,775 tons of CO2e	yes, 117
EN20	Emissions of ozone depleting substances (ODS)	This indicator is partially reported in 2013, pending improvements in measurement. 792.60 kg of R-22 (HCFC-22) = total quantity used in chiller system of all malls and office buildings for lease; 632.63 tCO2e = total emissions from refrigerants in four El Nido Resorts (Pangulasian, Miniloc, Lagen and Apulit) *Note: Not all properties currently have data on refrigerants and efforts will be made to establish a tracking system over the next years.*	yes, 117
EN21	NOX, SOX and other significant air emissions	NOX - 2.35 mg/Nm3; SOX - 2.49 mg/Nm3. These emission results are from the NUVALI batching plants. MDC has seven batching plants that are subjected to regular air quality monitoring and yield negligible readings on these parameters.	yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Aspect-Effluents and Waste			
G4-DMA	Ayala Land ensures that its properties and projects are properly connected to the wastewater treatment facilities of Manila Water and Maynilad, where possible. In areas which are not serviced such as Vertex and NUVALI, Ayala Land installs Sewage Treatment Plants (STPs) for proper treatment of waste water.		yes, 117
EN22	Total water discharge by quality and destination	Approximately 2,602,198.865 cum of waste water (or around half of total water consumption) was discharged through the facilities of Manila Water and Maynilad for subsequent treatment. Where the services of such utility companies are not available, STPs are provided by Ayala Land.	yes, 117
EN23	Total weight of waste by type and disposal method	Waste generated in the APMC-managed properties in 2013 continued to be segregated in our Materials Recovery Facilities and were as follows: 4,480,201 kg of recyclables, 7,127,358 kg of food waste, 5,227,137 kg of compostable waste, and 15,837,611 kg of residual waste. Residuals were brought to government-accredited sanitary landfills. For MDC, construction activities generated a total of 841,578 cubic meters of waste, of which 368,290 cubic meters were recyclable and the remainder of 473,288 cubic meters or 56.2% were hauled by accredited waste disposal companies to landfills. Recyclables such as steel and metal are sold as scrap, and wood and forms are reused. These figures do not include food waste, which are disposed of by the canteen concessionaires. Concrete debris was also recycled as backfill.	yes, 117
EN24	Total number and volume of significant spills	No significant spills were reported in 2013.	yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Aspect-Effluents and Waste			
EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention 2 Annex I, II, III, and VIII, and percentage of transported waste shipped internationaly.	No waste deemed hazardous was transported in 2013.	yes, 117
EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	The significant water bodies that may be affected by Ayala Land include the following: 1. Laguna de Bay, a large shallow freshwater body in Luzon Island with an aggregate area of about 900 square kilometers. The watershed is occupied by the provinces of Rizal and Laguna and partly by the National Capital Region, and the provinces of Cavite, Batangas and Quezon, consisting of eight cities and 49 municipalities where majority of Ayala Land developments are located. 2. Subic Bay area, where Anvaya Cove is located. Studies are currently being undertaken towards the preparation of a coastal management program. 3. Bacuit Bay in Palawan, part of the El Nido-Taytay Managed Resource Protected Area, which covers over 36,000 hectares of land and 54,000 hectares of marine waters. It is the catchment area of the four island resorts of the El Nido Resorts chain.	yes, 117
Aspect-Products and Services			
G4-DMA	This aspect is omitted from the 2013 report because it is not directly relevant to nature of Ayala Land's work. Impacts of Ayala Land products are covered in other EN indicators for energy, water, waste and biodiversity.		yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
		Aspect-Products and Services	
EN27	Extent of impact mitigation of environmental impacts of products and services	This aspect is omitted from the 2013 report because it is not directly relevant to the nature of Ayala Land's work. Impacts of Ayala Land products are covered in other EN indicators for energy, water, waste and biodiversity.	yes, 117
EN28	Percentage of products sold and their packaging materials that are reclaimed by category	This aspect is omitted from the 2013 report because it is not directly relevant to the nature of Ayala Land's work. Impacts of Ayala Land products are covered in other EN indicators for energy, water, waste and biodiversity.	yes, 117
		Aspect-Compliance	
G4-DMA	Ayala Land complies with all national and local laws and regulations as well as voluntary standards on the environment as part of our Enterprise-Wide Risk Management Program.		yes, 117
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	We received no significant fines due to non-compliance in 2013.	yes, 117
		Aspect-Transport	
G4-DMA	Ayala Land exerts best efforts to source materials locally in order to minimize cost of transport.		yes, 117
EN30	Significant environmental impacts of transporting products and other goods and the materials of the organization's operations, and transporting members of the workforce	Reinforced steel bars and concrete are sourced and manufactured locally to minimize emissions and the cost of transport.	yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Aspect-Overall			
G4-DMA	Ayala Land exerts best efforts to minimize impacts on the environment and surrounding communities, paying particular attention to resource efficiencies, stormwater and flood management. Please also see 'How We Work.'		yes, 117
EN31	Total environmental protection expenditures and investments by type	MDC reported that P1.1 billion was spent in 2013, with 99% spent on prevention. The remainder was spent on remediation and environmental management, at P2.8 million and P6.8 million, respectively. Impact mitigation is embedded in our technical due diligence (TDD) process, which is done across all new projects. Our unwavering commitment to mitigate any potential negative impacts is evident in the annual investment on TDD, from P39 million in 2011 to P78 million in 2012, and P136 million in 2013.	yes, 117
Aspect-Supplier Environmental Assessment			
G4-DMA	Ayala Land utilizes a third-party vendor/supplier pre-qualification system to screen for legitimacy and credit worthiness. Potential environmental impacts are identified during the technical evaluation of pre-qualified vendors and products during the actual procurement exercises, most especially for projects with environmental sensitivities. Vendors and suppliers are strongly encouraged to conform with Ayala Land's Vendors' Code of Ethics, and abide by the same code in their dealings with their subcontractors. The Code provides guidelines on the following aspects: labor practices, health and safety, environment, management system and ethics. Incidents involving the supply chain are also reviewed through the Enterprise-Wide Risk Management System, and are used as basis for improvement. Please see section on Risk Management.		yes, 117
EN32	Percentage of new suppliers that were screened using environmental criteria	Suppliers for products and services with environmental sensitivities are screened during technical evaluation as required by project specifications.	yes, 117
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	On May 31, 2013, a gas explosion in one of the units at Two Serendra occured. As a result, the gas lines in the buildings of Two Serendra were permanently shut down in the interest of safety.	yes, 117

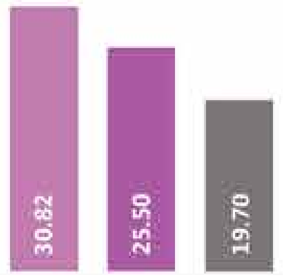
INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Aspect-Environmental Grievance Mechanisms			
G4-DMA	Projects with potential environmental impacts are required to secure an Environmental Compliance Certificate (ECC), which also stipulates that multipartite monitoring teams (MMTs) conduct regular inspections. Regular Philippine feedback channels such as the barangay (village) councils and LGUs have also been used by community members to provide feedback to the company. In addition, our incident reporting process, which we call Business Integrity channels, provides a way to report various concerns which may not necessarily be solely environmental in nature. Legitimate concerns are acted upon after due process.		yes, 117
EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	No major or significant grievances about environmental impacts have been filed against the company. Ayala Land, however, keeps open communication lines with LGUs and acts accordingly on concerns from immediate communities such as inconveniences due to traffic during construction.	yes, 117

LABOR INDICATORS

Average Training Hours of Regular Employees
(Internal and External)
(LA10)

	Ayala Land	Alveo Land	Avida Land	APMC	MDC	Amaia	BellaVita
SENIOR MANAGEMENT	7.04	*	*	24.00	6.86	*	*
MIDDLE MANAGEMENT	31.46	20.53	43.97	30.00	21.24	22.12	8.00
RANK AND FILE (STAFF)	7.37	11.53	57.58	-	19.03	10.78	0.47

Overall Average Training Hours per Employee Category



* Senior management of Avida and BellaVita are included in Ayala Land Management

SENIOR MANAGEMENT
MIDDLE MANAGEMENT
RANK AND FILE (STAFF)

Employee Distribution (LA1)		GENDER DISTRIBUTION		AGE DISTRIBUTION			DISTRIBUTION BY REGION (G4-10, G4-23)		
	TOTAL HEADCOUNT	% MALE	% FEMALE	% UNDER 30	% 30 TO 50	% OVER 50	LUZON	VISAYAS	MINDANAO
Ayala Land	492	46%	54%	24%	63%	14%	99%	1%	0%
Alveo Land	95	34%	66%	52%	48%	0%	97%	2%	1%
Avida Land	231	33%	67%	50%	48%	1%	95%	4%	1%
MDC	268	76%	24%	10%	68%	22%	97%	3%	0%
Amaia Land	160	33%	67%	39%	60%	1%	98%	2%	0%
BellaVita	18	28%	72%	72%	28%	0%	100%	0%	0%
APMC	289	66%	34%	48%	47%	5%	91%	8%	2%
El Nido Resorts	328	75%	25%	32%	61%	7%	100%	0%	0%
Seda Hotels	99	52%	48%	41%	57%	2%	45%	0%	55%
Holiday Inn	97	54%	46%	46%	52%	2%	100%	0%	0%
Fairmont	313	50%	50%	48%	50%	2%	100%	0%	0%
Intercon	197	40%	60%	17%	55%	27%	100%	0%	0%
Cebu Marriott	155	64%	36%	18%	66%	15%	2%	98%	0%
TOTAL	**2,742**	**54%**	**46%**	**34%**	**57%**	**9%**	**90%**	**7%**	**2%**

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect-Employment		
G4-DMA	Organizatonal development is a key pillar of our growth strategy. We empower our employees by providing them with a work environment that promotes personal fulfillment and professional advancement. We have a competitive compensation and benefits package that is at par with industry standards.	
LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Total number of employees for 2013 was 2,742, a 94% increase from 2012 total workforce of 1,411 with the inclusion of Hotels and Resorts Group personnel. Please also see labor and employment table.
LA2	Benefits provided to fulltime employees that are not provided to temporary or parttime employees, by significant locations of operation	Life insurance, in-patient and out-patient health coverage, disability and invalidity coverage, retirement benefits and medical allowance are the benefits received by regular full-time employees.
LA3	Return to work and retention rates after parental leave, by gender	Return to work rate is 98% for male employees and 94% for female employees. 101 out of the 106 employees (44 male and 62 female) who took parental leaves returned to work.
Aspect-Labor/Management Relations		
G4-DMA	Our policies and practices for communication between management and employees include the following: communication between management and employees, guidelines for regular townhall meetings, formal and informal grievance mechanisms, and an Organizational Climate Survey every two years.	
LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	We allot 30 days' notice for significant operational changes.
Aspect-Occupational Health and Safety		
G4-DMA	Ayala Land employees undergo annual physical exams and have regular access to flu, cervical, and pneumonia vaccinations. Employees receive timely information on the prevention of serious diseases, and there is extensive health insurance coverage for both employees and eligible family members. The Company has a clinic and a company nurse and doctor. A Safety Council has been instituted in 2013 and there are programs and officers for Safety and Pollution Control for all field personnel. We mandate the use of	

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect-Occupational Health and Safety		
	personal protective equipment, safety glasses and dust masks among construction personnel. There is a Detailed Emergency Response Plan, and we conduct regular fire, earthquake, and emergency response drills.	
LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	100% of the 557 employees of APMC and MDC are represented in formal joint management–worker health and safety committees.
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	For 2013, MDC reported a total of 6,627 incidences of work-related ailments. 2,358 incidences were due to headaches from stressful work conditions, and 2,337 were due to coughs, cold and fever due to unfavorable climate. Total lost days was reported at four, and there were no work-related fatalities in MDC projects in 2013.
LA7	Workers with high incidence or high risk of diseases related to their occupation	Employees of our construction and property management businesses MDC and APMC are most exposed to occupational risks such as physical injuries, respiratory and musculoskeletal diseases, essential hypertension, and stress-related ailments. Every job site has a clinic with a medical team on duty to respond immediately to any medical crisis that may take place.
LA8	Health and safety topics covered in formal agreements with trade unions	Formal agreements with the union include employees being accorded basic medical care by a doctor and dental care by a dentist designated by Ayala Land. Further, a non-contributory health plan (in-patient and out-patient coverage) is provided for the benefit of permanent employees and their qualified dependents.
Aspect-Training and Education		
G4-DMA	We endeavor to establish a suitable environment for continuous learning and development of our people. We offer quality training opportunities and custom-fit courses that address the needs of Ayala Land's Leadership Pipeline. Training modules cover business and technical knowledge, skill-building, values, ethics and corporate governance.	

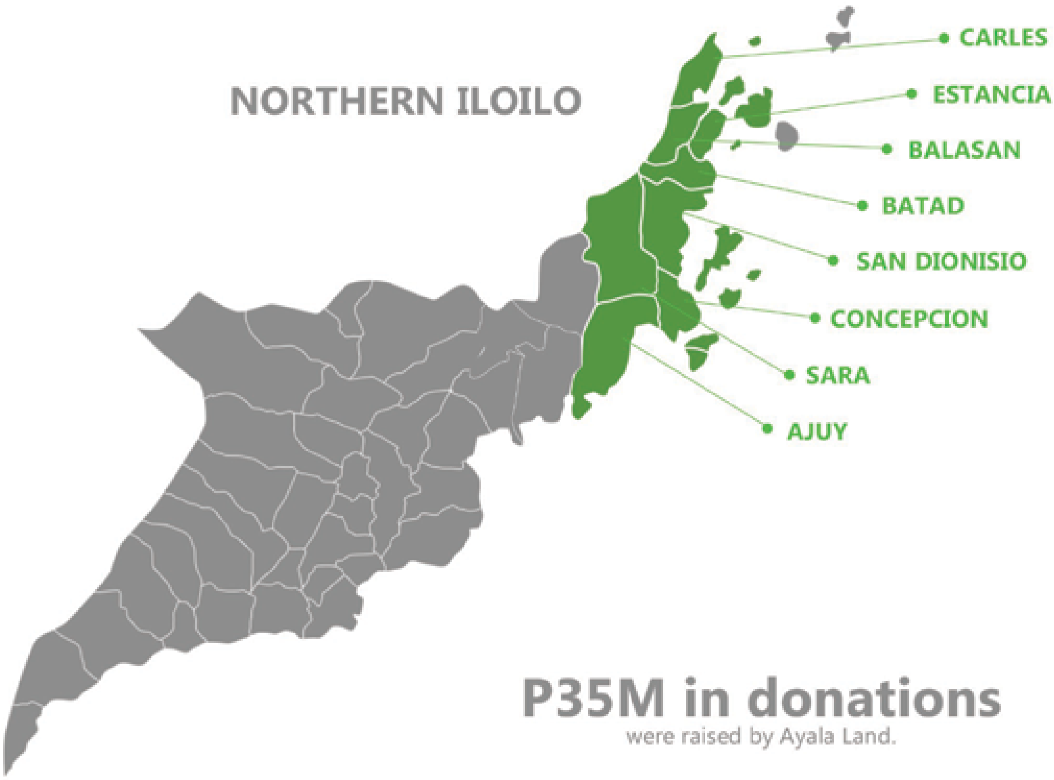
INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect-Training and Education		
	The Professionals in Development program systematically introduces and trains new recruits of the organization.	
LA9	Average hours of training per year per employee by gender, and by employee category	Each employee received an average of 22.16 hours of training in 2013.
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Skills upgrading are based on the training needs assessment, with external training supported by all departments. MDC started to conduct programs such as the PIC Development Program (PiC Boot Camp), BEST Workshop for Supervisors, Project Controllership Workshop for Finance Staff, Train the Trainers Workshop for all their SMEs. BellaVita offered Management and Leadership Skills training programs, and Avida held talks about Finances and the Ayala Coop.
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	All employees received regular annual performance evaluations.
CRE6	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	APMC and MDC are certified OHSAS 18001:2007 for Health and Safety and represent 20.3% of the total Ayala Land population.
Aspect-Diversity and Equal Opportunity		
G4-DMA	We hire based on the merits of candidates and reward employees according to their contribution to the growth of the Company. We do not tolerate discrimination based on race, gender, age and religious affiliation.	

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect-Diversity and Equal Opportunity		
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Of the 11 members of the management committee, 91% are male, and 9% female. 55% are over 50 years and the remainder are between 30 to 50 years old.
Aspect-Equal Remuneration for Women and Men		
G4-DMA	Compensation and benefits are based on experience and contributions to the growth of the Company. We also make sure to offer competitive industry rates to retain the best employees.	
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Ratio of actual salary is 1:1.43 (male to female) for non-managerial positions, and 1:0.6 for managerial positions. The latter is due to the nature of our industry, which has been heavily populated by male employees who have stayed with the Company and now occupy high-ranking positions. All things being equal, the computation of basic salaries does not favor any gender.
Aspect-Supplier Assessment for Labor Practices		
G4-DMA	We strive to forge long-term and mutually beneficial relationships with our business partners through impartial dealings and adherence to the highest level of moral and ethical conduct. Ayala Land has established a Code of Ethical Behavior for all employees, a Code of Ethical Procurement Conduct for everyone involved in the procurement process, and a Vendor's Code of Ethics. The Company adheres to the national and local labor laws of regulations, and a third-party screens all potential suppliers based on various performance metrics and adherence to labor laws as part of our due diligence. A Vendor Audit, implemented in accordance with Vendor's Code of Ethics, ensures that vendors strictly comply with Company policies to prevent the occurrence of fraudulent activities. However, we do not get involved with employee disputes and concerns of our vendors, and we are covered by an affidavit that states any labor dispute between the vendor and its employees is between both parties only.	
LA14	Percentage of new suppliers that were screened using labor practices criteria	As all suppliers are expected to comply with the Vendors' Code of Ethics, it should follow that our new suppliers and vendors adhere to human rights (HR 10), labor (LA14) and impacts to society (SO9) criteria of Ayala Land.

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect-Supplier Assessment for Labor Practices		
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	There were no significant negative impacts for labor practices reported in our supply chain.
Aspect-Labor Practices Grievance Mechanisms		
G4-DMA	We believe in equal opportunity and fair and open competition among vendors and trade partners. The Company's Business Integrity channels are communication facilities that enable individuals to freely report fraud, violations of laws, rules and regulations, and any misconduct concerning Ayala Land directly, without fear of retaliation. These channels provide concerned individuals all possible means to come forward and report their concerns personally or through email, telephone, fax, post and the Ayala Land website. An Ethics Committee ensures just and prompt resolution. We do not get involved with the employee disputes and concerns of our vendors, and we are covered by an affidavit that states any labor dispute between the vendor and its employees is between both parties only.	
LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	We received no grievances concerning our labor practices in 2013.

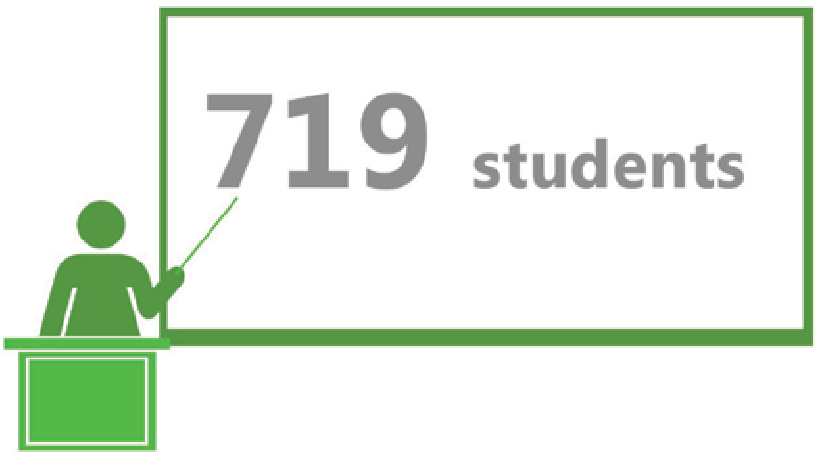
SOCIAL INDICATORS
(SO1 and SO2)

Typhoon Yolanda Relief Efforts
were focused on 8 coastal municipalities in Northern Iloilo.



P35M in donations
were raised by Ayala Land.

Ayala Land supports HERO Foundation, a non-profit organization that provides educational support to orphans of military personnel.



SOCIETY

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Aspect-Local Communities			
G4-DMA	We collaborate with and consult local government and local community organizations to ensure that our large-scale mixed-use projects are relevant to host communities. Project teams review economic, environmental, and social impacts of projects, design and develop communities in a manner that promotes long-term value and programs to mitigate negative impacts on vulnerable groups in the area. As a company operating in a climate-vulnerable country, we also make sure that we respond to the needs of communities affected by calamities such as the earthquake in October and Typhoon Haiyan (Yolanda) in November 2013.		yes, 117
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	100% of large-scale land development projects were assessed for impacts and underwent the DENR Environmental Impact Assessment Process, which included scoping for community impacts. Project teams continue to monitor for impacts throughout the project cycle and respond to concerns of affected communities and local government.	yes, 117
SO2	Operations with significant actual or potential negative impacts on local communities	All new developments have possible impacts on surrounding communities. Projects in already urbanized areas have impacts on traffic and transport. To mitigate these impacts, we undertake traffic studies and ensure that the intensity and duration are abated and are reversible. We work with local governments and incorporate transport facilities in our projects to serve the riding public. Thus, there were no projects that had significant negative impacts on the communities. Developments in non-urban areas may have impacts on agriculture production in neighboring areas. Our due diligence processes, however, ensure that our developments are located in areas zoned for commercial and residential use, minimizing the impact on agricultural activities and maximizing the economic potential of land resources.	yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Aspect-Anti-corruption			
G4-DMA	Anti-corruption is important to us at Ayala Land. Our Company has been defined by our continued commitment and fidelity to our values and to doing things the right way. Our strict adherence to these high standards has been the bedrock upon which we have built our reputation. We have established the policies and implemented best practices covering all entities and employees within the Ayala Land Group regarding anti-corruption. These include the following: 1. Code of Ethical Behavior for all employees; 2. Code of Ethical Procurement Conduct; 3. Vendor's Code of Ethics; 4. Conflict of Interest Policy; 5. Whistleblowing Policy; 6. Establishment of the Ayala Land Business Integrity or Reporting Channels through *https://services.punongbayan-araullo.com/extdata/proactive.nsf/goto/aligroup;* 7. Establishment of the Ayala Land Ethics Committee; and the 8. Implementation of the Vendor Audit. All told, our good corporate governance practices, which include anti-corruption initiative, have been manifested in the positive performance of our businesses and in various corporate governance awards and recognition.		yes, 117
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Our enterprise-wide risk assessment exercises assessed 100% of our core business units (Residential, Shopping Centers, Hotels and Resorts, services like Property Management and Construction) for risks related to the corruption and fraud indicators used in the risk assessment.	yes, 117
SO4	Communication and training on anti-corruption policies and procedures	Updated information in our corporate website makes sure that our anti-corruption policies and procedures, and all announcements related to Ayala Land's Business Integrity Program are communicated to all (100%) of governance body members and all (100%) employees within Ayala Land. We also intensified our information campaign on anti-corruption among our vendors by issuing a letter to them (100% of our target vendors) in 2013. The letter notified them of the establishment of our Business Integrity Program, Ethics Committee, and Vendor Audit, and assured them of the confidentiality of the process. Our Internal Audit and the Ethics Committee regularly reported on the anti-corruption initiative and results	yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Aspect-Anti-corruption			
SO5	Confirmed incidents of corruption and actions taken	of fraud investigations to at least 10 governance body members (the President and CEO, plus four members of the audit committee and five Management Committee members) or 53% of governance body members. There was no public legal case regarding corruption that was brought against the Company or our employees during the reporting period.	yes, 117
Aspect-Public Policy			
G4-DMA	We create shared value with local communities through government and non-profit institutions that seek to improve people's lives through infrastructure, environmental protection and livelihood-related programs. We support transparency and good governance, and environmentally and economically sound urban planning.		yes, 117
SO6	Total value of political contributions by country and recipient/beneficiary	No contributions to political parties or campaigns were made. We support efforts to increase good governance in localities. In 2013, we focused on partnerships with barangays.	yes, 117
Aspect-Anti-competitive Behavior			
G4-DMA	Ayala Land complies with Philippine anti-competition laws in accordance with the 1987 Constitution and subsequent related Executive Orders.		yes, 117
SO7	Total number of legal actions for anticompetitive behavior, antitrust, and monopoly practices and their outcomes	No legal actions were filed against Ayala Land for anti-competitive behavior, anti-trust, and monopoly practices.	yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Aspect-Compliance			
G4-DMA	We are committed to adhering with corporate governance best practices as well as compliance with economic, environmental and social regulations that cover the Company. We have a Compliance Officer and an Investor Communication and Compliance Division to comply with the Code of Corporate Governance and rules of the Philippine Stock Exchange and regulations adopted by the Securities and Exchange Commission. We have an External Affairs Division (EXAD) which works with project teams to comply with requirements for all neccessary project permits and licenses. Please see the Corporate Governance section of this report.		yes, 117
SO8	Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with laws and regulations	No significant fines and non-monetary sanctions for non-compliance with laws and regulations were imposed in 2013.	yes, 117
Aspect-Supplier Assessment for Impacts on Society			
G4-DMA	Ayala Land utilizes a third-party vendor and supplier accreditation system and is able to screen applicants, focusing on a vendor's legitimacy and credit worthiness. Our internal incident reporting process addresses concerns on vendors' negative performance in our various projects. As soon as a vendor is flagged for erring performance, said vendor is blocked in our Ayala Land-wide system and database, preventing any other units from transacting or tapping their services. Vendors and suppliers are strongly encouraged to conform with Ayala Land's Vendors' Code of Ethics, and abide by the same in their dealings with their subcontractors. The Code provides guidelines on the following aspects: labor practices, health and safety, environment, management systems and ethics. In addition, our grievance mechanisms are accessible and effective in enabling us to act with regards to possible reports.		yes, 117
SO9	Percentage of new suppliers that were screened using criteria for impacts on society	As all suppliers are expected to comply with the Vendors' Code of Ethics, it should follow that our new suppliers and vendors adhere to the human rights (HR 10), labor (LA14) and impacts to society (SO9) criteria of Ayala Land.	yes, 117
SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	No significant actual negative impact due to our operations was reported in 2013.	yes, 117

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)	EXTERNAL ASSURANCE
Aspect-Supplier Assessment for Impacts on Society			
CRE7	Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project	A total of 328 families affected by the Vertis North Triangle project opted to receive a compensation package to undertake their own relocation. Eleven families qualified by the National Housing Authority were relocated from Vertis North Triangle project area to San Jose Del Monte, Bulacan in 2013.	yes, 117
Aspect-Grievances Mechanisms for Impacts on Society			
G4-DMA	Our Full Due Diligence processes and community impact assessments are designed to ensure that we recognize and remediate impacts on society. Grievances are brought to our attention through various media such as the company website, customer service hotlines, external affairs division and the concerned Ayala Land business unit.		yes, 117
SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	No grievances about human rights impacts were brought to our attention in 2013.	yes, 117

HUMAN RIGHTS

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect-Investments		
G4-DMA	Our due diligence processes in land acquisition ensure that our locational choices consider the rights of communities and legitimate claimants, in accordance with Philippine law. Joint venture partners and subsidiaries are expected to provide support for legitimate community claims, and to come up with mechanisms to protect minority rights.	
HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Our due diligence process in land acquisition enables us to recognize locations with potential human rights impacts in relation to legitimate claims on ownership. At the moment, however, there are no clauses specifically covering human

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect-Investments		
		rights impacts. Adequate legal research is undertaken to ensure that rights of legitimate claimants are recognized, and potential impacts mitigated through community programs.
HR2	Total hours of employee training in human rights policies and procedures	728 hours
Aspect-Non-discrimination		
G4-DMA	Exemplary employees allow us to maximize positive performance. Thus we protect the morale of our people. We make sure that opportunities for professional growth are available to all employees regardless of their race, age, gender and religious affiliation. Career performance reviews are available to all employees, and training is provided according to the results of individual training needs assessment. Partners and suppliers are assessed by an independent party based on their credit-worthiness, legitimacy, and compliance with Philippine labor and human rights laws.	
HR3	Total number of incidents of discrimination and corrective actions taken	There were no incidents of discrimination reported in 2013.
Aspect-Freedom of Association and Collective Bargaining		
G4-DMA	Ayala Land protects freedom of association and has neither policies nor aspects of our operations that will prohibit any employee from exercising this freedom to unionize and the right to collective bargaining. Results of the collective bargaining benefit all non-management employees, whether they are members of the union or not.	
HR4	Operations and suppliers in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	No aspect of our operations prohibits this freedom of association.
Aspect-Child Labor		
G4-DMA	Ayala Land does not tolerate the use of child labor in any of our operations. We do not work with suppliers and partners that use any form of child labor. Our supplier accreditation process checks potential suppliers for violations of anti-child labor laws.	

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect-Child Labor		
HR5	Operations and suppliers identified as having significant risk for incidents of child labor	No aspect of our operations has been identified as having significant risk for child labor.
Aspect-Force or Compulsory Labor		
G4-DMA	Our Compensation and Benefits guidelines and our regular performance reviews of all employees ensure that all work is compensated according to Philippine labor laws and the Company's performance incentive program. Economic sanctions placed on erring employees do not include any form of unpaid labor.	
HR6	Operations and suppliers identified as having significant risk for incidents of forced labor	No aspect of our operations has been identified as having significant risk for incidents of forced labor.
Aspect-Security Practices		
G4-DMA	The safety of all stakeholders who use our diverse real-estate products is a priority thus the widespread use of security personnel. All security supervisors are trained to make sure that security practices are aligned with the Company values, which include protection of human rights, and not just the security agencies'. In turn, the supervisors are responsible for cascading the program to the security force.	
HR7	Percentage of security personnel trained in the organization's human rights policies or procedures	In 2013, 12 out of 30 security supervisors received 224 hours of training on human rights practices that were relevant to operations.
Aspect-Indigenous Rights		
G4-DMA	Our due diligence processes ensure that our locational choices consider the rights of indigenous peoples living in the areas of operation, in accordance with the Indigenous People's Rights Act (IPRA) of the Philippines. We work with legitimate community and non-profit organizations on capacity building programs to increase opportunities for indigenous and local communities' participation in our value chain.	
HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	None of our operations and developments are located in ancestral domains therefore there are no incidents involving the violation of the rights of indigenous peoples.

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
	Aspect-Assessment	
G4-DMA	Human rights of employees and stakeholders of our value chain are protected through the company's adherence to the Labor Code of the Philippines and other relevant laws protecting community rights.	
HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessment	Our due diligence process in land acquisition enables us to recognize locations with potential human rights impacts in relation to legitimate claims on ownership. At the moment, however, there is no tracking system specifically covering human rights impact assessment. Adequate legal research is undertaken to ensure that the rights of legitimate claimants are recognized, and potential impacts are mitigated through community programs.
	Aspect-Supplier Human Rights Assessment	
G4-DMA	Our full due diligence process ensures that Ayala Land adheres to Philippine laws on labor, human rights and other relevant policies such as the Urban Development and Housing Act (UDHA) and Agrarian Reform guidelines. Vendors, suppliers and employees are strongly encouraged to conform with Ayala Land's Vendors' Code of Ethics and Employee Code of Ethics, respectively. All are encouraged to abide by the codes in their dealings with their subcontractors and other stakeholders. The codes provide guidelines on the following aspects: labor practices, health and safety, environment, management systems and ethics. In addition, our grievance mechanisms are accessible and effective in enabling us to act with regards to possible reports on violations.	
	Aspect-Supplier Human Rights Assessment	
HR10	Percentage of new suppliers that were screened using human rights criteria	100% of our new suppliers and vendors have been screened using our accreditation mechanism, wherein human rights (HR 10), labor (LA14) and impacts to society (SO9) are covered by legitimacy and ethical criteria.
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	No significant impacts on the supply chain as far as human rights violations were concerned was identified in 2013.

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect-Human Rights Grievance Mechanisms		
G4-DMA	The Company's Business Integrity channels enable individuals to freely report fraud, violations of laws, rules and regulations, and any misconduct concerning Ayala Land directly, without fear of retaliation. Grievances are brought to our attention through various media such as the Company website, customer service hotlines, external affairs division, and the concerned Ayala Land business unit.	
HR12	Number of grievances about human rights impact filed, adderessed, and resolved through formal grievance mechanism	There were no reported grievances against Ayala Land and the subsidiaries concerning impacts on human rights.

PRODUCT RESPONSIBILITY
INDICATORS

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
	Aspect-Customer Health and Safety	
G4-DMA	Our technical due diligence and project development process identify our potential positive and negative impacts on the environment, community, and customers from site assessment to delivery of our real-estate products and property management. Our Book of Sustainability Standards documents all sustainable practices throughout the project development cycle for cascading to other units as best practices and are improved on continuously.	
PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	All new projects are subjected to technical due diligence that assess for health and safety impacts on the environment, our customers, and surrounding communities. Please see 'How We Work.'
PR2	Total number of incidents of noncompliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	There were no reported incidents of non-compliance with regulations and voluntary codes concerning our products and services' health and safety impacts.
	Aspect-Product and service labeling	
G4-DMA	Customer service is a key component of Brand Building, one of Ayala Land's five pillar strategy. A Five-pillar Scorecard monitors our performance against our targets. An annual customer satisfaction survey is also undertaken across all managed properties to monitor and improve customer experience in our properties.	
PR3	Type of product and service information required by the organization's procedures for product and service information and labeling	We adhere to the Housing and Land Use Regulatory Board (HLURB) and Department of Trade and Industry (DTI) guidelines on releasing advertising information relevant to our businesses.
PR4	Total number of incidents of noncompliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	There were ro reported incidents of non-compliance concerning product and service information.

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect: Product and Service Labeling		
CRE8	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment	APMC has maintained its international certifications namely, ISO 9001:2008 (Quality Management), ISO 14001:2004 (Environmental Management) and OHSAS 18001:2007 (Occupational Health and Safety) in the recent November 2013 audit. Similarly, MDC has maintained its ISO 9001: 2000 (Quality Management), ISO 14001: 1996 (Environmental Management) and OHSAS 18001: 1999 (Occupational Health and Safety) certifications.
PR5	Results of surveys measuring customer satisfaction	APMC underwent a brand transformation program to further strengthen its current level of customer service. For 2013, it garnered higher satisfaction ratings of 93.93% on its Service Level Agreement (SLA) and 3.50 (out of a possible high score of 4) Customer Survey results. Avida received the highest buyer satisfaction rating among our residential brands at 3.44.
Aspect: Marketing Communication		
G4-DMA	Throughout our communication campaigns, we make sure to adhere to standards found in our operations manual and voluntary codes of the industry, including the Advertising Board of the Philippines. Our claims are backed by scientific research. Relevant subject matter experts, marketing heads and third parties (if necessary) check and vouch for the information we release to the public. Our marketing and sales teams are trained on laws and standards on advertising and promotion.	
PR6	Sale of banned or disputed products	This indicator is not applicable.
PR7	Total number of incidents of noncompliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	No incidents of non-compliance concerning marketing communications were brought to our attention in 2013.

INDICATOR	SHORT DESCRIPTION	LOCATION OF DISCLOSURE (OR DIRECT ANSWER WHERE POSSIBLE)
Aspect-Customer Privacy		
G4-DMA	We respect our customers' rights to privacy and will never sell their personal information or share customer data without their consent for our commercial advantage.	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	There were no substantiated complaints regarding breaches of customer privacy and losses of data reported in 2013.
Aspect-Customer Privacy		
G4-DMA	Ayala Land complies with all national and local laws and regulations as well as voluntary standards on customer health, safety, and environment as part of our Enterprise-Wide Risk Management Program.	
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	We did not pay any significant fines for non-compliance with laws and regulations concerning the provision and use of our products and services.

GENERAL STANDARD DISCLOSURES

	SHORT DESCRIPTION	PAGE	EXTERNAL ASSURANCE
Strategy and Analysis			
G4-1	Statement from the most senior decision-maker.	6 to 7	-
G4-2	Description of key impacts, risks, and opportunities.	6 to 7; 12-14; 26-27; 71-74	-
Organizational Profile			
G4-3	Name of the organization.	4	-
G4-4	Primary brands, products, and services.	23-49	-
G4-5	Location of the organization's headquarters.	4	-
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations.	4	-
G4-7	Nature of ownership and legal form.	68, 133	-
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	4	-
G4-9	Scale of the organization.	4; 16-17, 135-138	-
G4-10	Total number of employees by employment and gender.	93	-
G4-11	Percentage of total employees covered by collective bargaining agreements.	100% of non-management employees are covered by the results of our collective bargaining agreements.	-
G4-12	Describe the organization's supply chain.	74	-
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	138-139	-
G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	25, 74, 76, 83, 87-88	-
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	56-60	-
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations.	57, 70	-
Identified Material Aspects and Boundaries			
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents.	2, 28-49	yes, 116

GENERAL STANDARD DISCLOSURES AND SHORT DESCRIPTION		PAGE	EXTERNAL ASSURANCE
G4-18	a. Process for defining the report content and the Aspect Boundaries; b. How the organization has implemented the Reporting Principles for Defining Report Content.	75	yes, 116-117
G4-19	Material Aspects identified in the process for defining report content.	75	yes, 117
G4-20	Whether the Aspect is material within the organization.	75	yes, 116
G4-21	Whether the Aspect is material outside of the organization.	75	-
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	80	-
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	80, 81 (GHG summaries of managed properties and construction activities), 86-87, 93	-
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organization.	65-67	-
G4-25	Basis for identification and selection of stakeholders with whom to engage.	65-67	-
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	65-67	-
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	65-67	-
Report Profile			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	2	-
G4-29	Date of most recent previous report (if any).	2012	-
G4-30	Reporting cycle (such as annual, biennial).	Annual	-
G4-31	Contact point for questions regarding the report or its contents.	2	-
G4-32	'In accordance' option the organization has chosen.	2, 75 (Comprehensive)	-
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report.	63, 75	-
Governance			
G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	56, 60	-

GENERAL STANDARD DISCLOSURES AND SHORT DESCRIPTION		PAGE	EXTERNAL ASSURANCE
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	60	-
G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	60, 73	-
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	64-68	-
G4-38	Composition of the highest governance body and its committees.	56-60	-
G4-39	Whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	52, 58	-
G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	60, 65	-
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed.	64	-
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	60	-
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	58	-
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.	59	-
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	60	-
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	64, 71-73	-

GENERAL STANDARD DISCLOSURES AND SHORT DESCRIPTION		PAGE	EXTERNAL ASSURANCE
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	59, 63	-
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	56, 60	-
G4-49	Process for communicating critical concerns to the highest governance body.	64-68	-
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	64-68	-
G4-51	Remuneration policies for the highest governance body and senior executives.	61-62	-
G4-52	Process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	61-62	-
G4-53	How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	60-62	-
G4-54	Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Omitted, not currently part of internal accounting metrics	-
G4-55	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Omitted, not currently part of internal accounting metrics	-
Ethics and Integrity			
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	1, 26-27, 56, 64	-
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	64	-
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	64	-

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Independent Assurance Statement:

Introduction:

TÜV Rheinland India Private Ltd., member of TÜV Rheinland Group, Germany (TÜV, We) has been entrusted by the management of Ayala Land, Inc. (Ayala Land, the Company) to conduct independent assurance of Ayala Land Integrated Annual & Sustainability Report 2013, titled " 20 MILLION HOUSEHOLDS" (the Report). All contractual contents for this assurance engagement rest entirely within the responsibility of Ayala Land. Our task was to give a fair and adequate judgment on the Ayala Land Report 2013 as per below scope of assurance.

The intended users of this assurance statement are stakeholders having relevance to the Ayala Land overall Sustainability Performance and impacts of its business activities during 2013 (January 2013 ~ December 2013). TÜV Rheinland is a global service provider of CSR & Sustainability Services in over 65 countries, having qualified professionals in the field of Corporate Sustainability Assurance, Environment, Social and Stakeholder Engagement. We have maintained complete impartiality and independence during the assurance engagement and were not involved in the preparation of report contents.

Assurance Standard:

The Independent Assurance was carried out in accordance with AccountAbility, U.K Standard AA 1000 AS (2008) and related standards AA 1000 APS(2008), AA 1000 SES (2011), Principles of Inclusivity, Materiality & Responsiveness, Global Reporting Initiative (GRI) , 'In accordance'-Comprehensive" reporting guidelines as per G-4.0

Scope & Type of Assurance:

Our assurance engagement covers the following:

- Ayala Land Corporate Sustainability performance indicators and according disclosure on management approach (DMAs) covering 34 environmental indicators , 11 society indicators and eight Construction and Real Estate sector-specific indicators, also defined in section reporting boundaries and "About this report".
- Evaluation of disclosed information in the report as per the Assurance Standards.
- Type-1, Moderate as per AA 1000 AS (2008).

Limitation: The assurance engagement was carried out at Ayala Land Corporate office: 30 F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City and visits to its construction site at Makati City, Anvaya Cove eco-tourism destination, MDC construction company of Ayala Land. We have not observed any significant situations to limit our assurance activity. The verification is carried out based on the data and information provided by Ayala Land, assuming they are complete and true. We did not verify the reported financial data and sustainability performance indicators other than mentioned in above scope of assurance.

Assurance Methodology:

TÜV has challenged the report contents and assess the process undertaken by Ayala Land from source to aggregate in disclosure of information/data related to Sustainability performance under scope of assurance. Our judgment is based on the objective review of reported information as per criteria defined under Assurance standards.

Analytical methods and the performance of interviews as well as verification of data, done as random sampling, to verify and validate the correctness of reported data and contents in light of contractual agreement and the factual Ayala Land strategy as mentioned in the report. Our work included consultation with over 70 Ayala Land representatives including senior management and relevant employees as well as consultations with external stakeholders (Re-habilitated & Re-settled community by Ayala Land) at Anvaya Cove were carried out. The approach deemed to be appropriate for the purpose of assurance of the report since all data therein could be verified through original proofs, verified database entries.

The Assurance was performed by our multidisciplinary team of experienced professionals in the field of Corporate Sustainability, Environment, Social and Stakeholder Engagement. We are of the opinion that our work offers a sufficient and substantiated basis to enable us to come to a conclusion mentioned below and based on the content of our contract.

Positive Observation:

We would like to mention some of the positive aspects observed during Ayala Land assurance engagement as below:

- The Ayala Land foster "inclusive growth" business model by having economic activity in less-developed areas and balance triple bottom-line goal of ensuring profitability while preserving the environment and protecting the welfare of the communities in and around their developments.
- The Ayala Land deployed rigorous due diligence and planning processes before commencing development project
- The Ayala Land response is appreciable to the recent devastation caused by the super typhoon in the Visayas region, constructing 600 storm resilient homes and helping in the restoration of the fishing livelihood of the people in Northern Iloilo

Adherence to AA 1000 principles:

Inclusivity: Ayala Land has identified, prioritize and engaged with its internal and external stakeholders through formal and informal mechanism like customer survey, Intranet,employee meetings and town halls, stakeholder consultations, company website, social and mainstream media as a response to sustainable development issue.

Materiality: Ayala Land has identified the material issues related to sustainable development through series of discussion and interviews, subsequently outcome of stakeholders consultation were cross-referenced with customer knowledge studies and result of public survey and sales team survey on important sustainability or material aspects. The Corporate strategy is align to address identified material issues.

Responsiveness: Ayala Land has responded to its stakeholders against identified material issues critical to sustainable development through disclosure made in report 2013, Corporate Strategy, Policies, implementation systems and processes, allocation of resources to stakeholder engagement and communication.

Conclusion:

In conclusion, we can mention that no instances or information came to our attention that would be to the contrary of the statement made below:

- Ayala Land Integrated Annual & Sustainability Report 2013 meets the requirement of Type-1, Moderate Assurance according to AA1000AS(2008) and GRI – G 4 reporting guidelines as per 'In accordance'-Comprehensive
- The Report includes statements and claims that reflects Ayala Land achievements and challenges supported by documentary evidences and internal records
- The performance data we found in the report are collected, stored and analyzed in a systematic and professional manner and were plausible.
- TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision about Ayala Land based on this Assurance Statement.

AA1000
Licensed Assurance Provider
000-51

For TÜV Rheinland Group

24th March,2014

Ganga C. SHARMA, Lead Verifier

2

Independent Assurance Statement:

Introduction:

TÜV Rheinland India Private Ltd., member of TÜV Rheinland Group, Germany (TÜV, We) has been entrusted by the management of Ayala Land, Inc. (Ayala Land, the Company) to conduct independent assurance of Ayala Land Integrated Annual & Sustainability Report 2013, titled " 20 MILLION HOUSEHOLDS" (the Report). All contractual contents for this assurance engagement rest entirely within the responsibility of Ayala Land. Our task was to give a fair and adequate judgment on the Ayala Land Report 2013 as per below scope of assurance.

The intended users of this assurance statement are stakeholders having relevance to the Ayala Land overall Sustainability Performance and impacts of its business activities during 2013 (January 2013 ~ December 2013). TÜV Rheinland is a global service provider of CSR & Sustainability Services in over 65 countries, having qualified professionals in the field of Corporate Sustainability Assurance, Environment, Social and Stakeholder Engagement. We have maintained complete impartiality and independence during the assurance engagement and were not involved in the preparation of report contents.

Assurance Standard:

The Independent Assurance was carried out in accordance with AccountAbility, U.K Standard AA 1000 AS (2008) and related standards AA 1000 APS(2008), AA 1000 SES (2011), Principles of Inclusivity, Materiality & Responsiveness, Global Reporting Initiative (GRI) , 'In accordance'-Comprehensive" reporting guidelines as per G-4.0

Scope & Type of Assurance:

Our assurance engagement covers the following:

- Ayala Land Corporate Sustainability performance indicators and according disclosure on management approach (DMAs) covering 34 environmental indicators , 11 society indicators and eight Construction and Real Estate sector-specific indicators, also defined in section reporting boundaries and "About this report".
- Evaluation of disclosed information in the report as per the Assurance Standards.
- Type-1, Moderate as per AA 1000 AS (2008).

Limitation: The assurance engagement was carried out at Ayala Land Corporate office: 30 F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City and visits to its construction site at Makati City, Anvaya Cove eco-tourism destination, MDC construction company of Ayala Land. We have not observed any significant situations to limit our assurance activity. The verification is carried out based on the data and information provided by Ayala Land, assuming they are complete and true. We did not verify the reported financial data and sustainability performance indicators other than mentioned in above scope of assurance.

Assurance Methodology:

TÜV has challenged the report contents and assess the process undertaken by Ayala Land from source to aggregate in disclosure of information/data related to Sustainability performance under scope of assurance. Our judgment is based on the objective review of reported information as per criteria defined under Assurance standards.

Analytical methods and the performance of interviews as well as verification of data, done as random sampling, to verify and validate the correctness of reported data and contents in light of contractual agreement and the factual Ayala Land strategy as mentioned in the report. Our work included consultation with over 70 Ayala Land representatives including senior management and relevant employees as well as consultations with external stakeholders (Re-habilitated & Re-settled community by Ayala Land) at Anvaya Cove were carried out. The approach deemed to be appropriate for the purpose of assurance of the report since all data therein could be verified through original proofs, verified database entries.

The Assurance was performed by our multidisciplinary team of experienced professionals in the field of Corporate Sustainability, Environment, Social and Stakeholder Engagement. We are of the opinion that our work offers a sufficient and substantiated basis to enable us to come to a conclusion mentioned below and based on the content of our contract.

Positive Observation:

We would like to mention some of the positive aspects observed during Ayala Land assurance engagement as below:

- The Ayala Land foster "inclusive growth" business model by having economic activity in less-developed areas and balance triple bottom-line goal of ensuring profitability while preserving the environment and protecting the welfare of the communities in and around their developments.
- The Ayala Land deployed rigorous due diligence and planning processes before commencing development project
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Adherence to AA 1000 principles:

Inclusivity: Ayala Land has identified, prioritize and engaged with its internal and external stakeholders through formal and informal mechanism like customer survey, Intranet,employee meetings and town halls, stakeholder consultations, company website, social and mainstream media as a response to sustainable development issue.

Materiality: Ayala Land has identified the material issues related to sustainable development through series of discussion and interviews, subsequently outcome of stakeholders consultation were cross-referenced with customer knowledge studies and result of public survey and sales team survey on important sustainability or material aspects. The Corporate strategy is align to address identified material issues.

Responsiveness: Ayala Land has responded to its stakeholders against identified material issues critical to sustainable development through disclosure made in report 2013, Corporate Strategy, Policies, implementation systems and processes, allocation of resources to stakeholder engagement and communication.

Conclusion:

In conclusion, we can mention that no instances or information came to our attention that would be to the contrary of the statement made below:

- Ayala Land Integrated Annual & Sustainability Report 2013 meets the requirement of Type-1, Moderate Assurance according to AA1000AS(2008) and GRI – G 4 reporting guidelines as per 'In accordance'-Comprehensive
- The Report includes statements and claims that reflects Ayala Land achievements and challenges supported by documentary evidences and internal records
- The performance data we found in the report are collected, stored and analyzed in a systematic and professional manner and were plausible.
- TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision about Ayala Land based on this Assurance Statement.

AA1000
Licensed Assurance Provider
000-51

For TÜV Rheinland Group

24th March,2014

Ganga C. SHARMA, Lead Verifier

2

FINANCIAL REPORTS

Serendra at Bonifacio Global City

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

RESULTS OF OPERATIONS

Ayala Land, Inc. ("ALI" or "the Company") posted a record P11.74 billion in net income for the year 2013, 30% higher than the P9.04 billion recorded the previous year. Consolidated revenues reached P81.52 billion, 36% higher year-on-year. Revenues from Real Estate, which comprised the bulk of consolidated revenues, increased by 40% to P76.34 billion mainly driven by the strong performance across the Property Development, Commercial Leasing and Services business lines.

Corporate costs remain under control with the ratio of General and Administrative Expenses (GAE) to revenues declining further to 7.3% from 7.9% in 2012.Earnings before interest and taxes (EBIT) margin expanded to 26% in 2013, from 25% the previous year.

BUSINESS SEGMENTS

The details of the individual performance of each business segment are discussed as follows:

Property Development. Property Development, which includes the sale of residential lots and units, office spaces, as well as Commercial and Industrial Lots, registered revenues of P51.96 billion in 2013, 51% higher than the P34.46 billion recorded in 2012.

Revenues from the Residential Segment reached P41.99 billion in 2013, 32% higher than the P31.88 billion reported the previous year, largely due to solid bookings and steady project launches across all brands. Ayala Land Premier (ALP) generated P15.56 billion in revenues or an improvement of 41% year-on-year on the back of higher revenues from premium condominium units in 1016 Residences, Park Terraces, The Suites and Parkpoint Residences and new launches such as Two Roxas Triangle and Garden Tower 2. Alveo meanwhile posted revenues of P9.10 billion, 18% higher than last year owing to sales contributions from Two Maridien and Verve Residences in Bonifacio Global City, Mirala in NUVALI, Escala Salcedo and Solstice Tower in Makati, Celadon Park Tower 3 in Manila and Solinea Tower 2 in Cebu. Avida and Amaia likewise attained revenue growth of 42% and 54% to P12.50 billion and P2.43 billion, respectively. Avida's performance was anchored on strong bookings from the success of new projects such as Avida 34th Street Tower 2 and Avida Cityflex Tower 2 in Bonifacio Global City, Madera Grove Estates in Bulacan, Avida Woodhill Settings in NUVALI, Avida Towers Vita in Quezon City, Avida Centera Towers 3 and 4 in Mandaluyong and Avida Riala Towers 1 and 2 in Cebu, as well as increased sales in existing projects such as Avida Parkway Settings, Avida Ridgeview Estates and Avida Village Cerise in NUVALI, Avida San Lorenzo Tower 2 in Makati and Avida Prime Taft Tower 1 in Pasay. Amaia revenues was boosted by sales from recent launches namely Amaia Steps Sucat, Amaia Skies Avenida, Amaia Steps Bicutan, Amaia Steps NUVALI, Amaia Steps Cavite, Amaia Steps Lucena and Amaia Steps Bauan. BellaVita, coming from a low base on its first year of operations, saw revenues increase by 308% to P63.93 million, mainly due to revenues generated from its General Trias and Alaminos projects.

Sales take-up value in 2013 reached a record level of P91.93 billion, equivalent to an average monthly sales take-up of P7.66 billion, an all-time high and 18% higher than the P6.47 billion average last year. Residential Gross Profit (GP) margins of horizontal projects declined slightly to 44% from 48% owing to lesser subdivision lots sold in NUVALI while GP margins of vertical developments improved from 35% to 37% due to moderate price escalations and impact of cost containment measures. The Company's five residential brands launched a total of 28,482 units in 2013 worth P108 billion. For 2014, the Company is expecting continued demand for housing products and will be launching around 30,000 units across all residential brands.

Revenues from the sale of Commercial and Industrial Lots grew by 256% in 2013 to P8.80 billion, primarily due to the sale of commercial lots in NUVALI and Arca South. However, GP margins dropped to 40% from 50% as the commercial lot sales in Arca South carried lower margins.

Commercial Leasing. Commercial Leasing includes the Company's Shopping Centers and Office Leasing as well as Hotels and Resorts operations. Total revenues for Commercial Leasing amounted to P18.00 billion in 2013, 21% higher than the P14.91 billion recorded in the previous year.

Revenues from **Shopping Centers** increased by 10% to P10.48 billion in 2013, driven by higher average lease rates and expanded gross leasable area (GLA). Average lease rates rose in 2013 by 3% despite the opening of new provincial malls that normally have lower rental rates than Metro Manila shopping centers. Occupied gross leasable area (GLA) was up by 7% year-on-year, while same-store rentals increased by 4%. Shopping Centers EBITDA margins slightly declined to 62% from 64% last year, due to the continuing impact of redevelopment projects in Ayala Center Makati and Ayala Center Cebu. Average occupancy rate across all malls was maintained at a healthy level of 95%, in spite of additional GLA from newly-opened malls.

Revenues from **Office** leasing operations rose by 18% to P3.50 billion in 2013 from P2.97 billion in the previous year. Revenue growth was attained due to higher lease rates and occupied GLA of business process outsourcing (BPO) office spaces, which grew by 16% year-on-year (an increase of 55,919 square meters). Total available BPO GLA reached 490,450 square meters as of year-end, while average BPO lease rates increased 8% to P633 per square meter. EBITDA margins of the total office portfolio improved to 85% from 84%.

Hotels and Resorts currently operates 1,294 internationally branded hotel rooms in Hotel InterContinental Manila, Cebu City Marriott, Fairmont Hotel and Raffles Residences Makati and Holiday Inn & Suites Makati, 192 island resort rooms in Lagen, Miniloc, Apulit and Pangulasian Islands in the province of Palawan and 515 Seda Hotel rooms between Bonifacio Global City, Centrio Cagayan de Oro and Abreeza Davao. Revenues of the Hotels and Resorts business grew by 64% to P4.02 billion in 2013 from P2.45 billion last year, primarily driven by contributions from new hotels and resorts. Revenue per Available Room (REVPAR) for the stable hotels in the company's portfolio was at P3,592, while REVPAR for resorts was at P5,683 per night. EBITDA margins for Hotels and Resorts increased to 20% driven by the improved performance of new hotels and resorts.

Services, which include the Company's wholly-owned **Construction** and **Property Management** companies, generated combined revenues of P26.33 billion in 2013, 29% higher than the P20.38 billion posted last year. Construction revenues rose by 19% to P22.96 billion given an increased orderbook and the steady completion of ALI Group projects. Property Management revenues increased 196% to P3.38 billion in 2013, driven by the contribution of PhilEnergy and Direct Power. Blended EBITDA margins for Services improved to 9% from 7% in 2012 due to effective cost management efforts.

EQUITY IN NET EARNINGS OF INVESTEES, INTEREST, FEES, INVESTMENT AND OTHER INCOME

Equity in Net Earnings from Investees rose by 3% to P550 million in 2013 from P536 million in the previous year. Interest and Investment Income meanwhile declined by 17% to P3.54 billion in 2013. The decrease is mainly attributed to the effect of the one-time gain on the re-measurement of ALI Makati Hotel & Residences, Inc. and ALI Makati Hotel Property, Inc. in 2012 and lower interest income on the Company's money market placements, despite a higher average cash balance in 2013. Other Income grew by 165% to P1.10 billion, primarily due to the sale of Laguna Technopark's waterworks business.

EXPENSES

Total expenses amounted to P62.56 billion in 2013, 38% more than the P45.39 billion incurred in 2012. Real Estate and Hotels Expenses rose 40% year-on-year to P51.84 billion. GAE meanwhile grew by 25% to P5.93 billion, primarily due to payroll and donation-related expenses. Nevertheless, GAE-to-revenue ratio was lower at 7.3% in 2013. Interest Expense, Financing and Other Charges increased by 32% year-on year to P4.79 billion, mainly attributed to new bond issuances to finance the Company's expansion plans. The average cost of the Company's consolidated debt, however, decreased to 5.1% from 5.4% in 2012.

PROJECT AND CAPITAL EXPENDITURE

The Company spent a total of P66.26 billion in capital expenditures in 2013, 7% lower than the P71.29 billion spent the previous year. The bulk of capital expenditures in 2013 were utilized for residential developments (32% of total), land acquisition (41%), offices (8%), shopping centers (12%), hotels and resorts (2%), with the balance spent on support business and land development activities in the Company's strategic landbank areas. For 2014, the Company has allotted another P70.0 billion for capital expenditures primarily earmarked for the completion of ongoing developments and launches of new residential and leasing projects, which will help sustain the Company's growth trajectory in the coming years. The total value of the 78 projects that are expected to be launched this year is estimated to be at around P142 billion.

FINANCIAL CONDITION

The Company's balance sheet remains strong with sufficient capacity to carry out its aggressive growth plans in 2014 and beyond. Cash and Cash Equivalents stood at P40.76 billion (including investment in UITF) , resulting in a Current Ratio of 1.45: 1. Total Borrowings stood at P101.90 billion from Php74.78 billion as of December last year, translating to a Debt-to-Equity Ratio of 1.04:1 and a Net Debt-to-Equity Ratio of 0.61:1. Return on equity was maintained at 13% in 2013.

REPORT OF THE AUDIT AND RISK COMMITTEE TO THE BOARD OF DIRECTORS

The Audit and Risk Committee's roles and responsibilities are defined in the Audit and Risk Committee Charter approved by the Board of Directors. The Audit and Risk Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to:

- the integrity of Ayala Land Inc.'s (the "Company") financial statements and the financial reporting process;
- the appointment, remuneration, qualifications, independence and performance of the independent auditors and the integrity of the audit process as a whole;
- the effectiveness of the systems of internal control and the risk management process;
- the performance and leadership of the internal audit function;
- the Company's compliance with applicable legal and regulatory requirements; and
- the preparation of a year-end report of the Committee for approval of the Board and to be included in the annual report.

In compliance with the Audit and Risk Committee Charter, we confirm that:

An independent director chairs the Audit and Risk Committee. The Committee has two out of four members who are independent directors;

We had six meetings during the year with the following attendance rate:

Directors	No. of Meetings Attended/Held	Percent Present
Oscar S. Reyes	6/6	100%
Jaime C. Laya	6/6	100%
Aurelio R. Montinola III*	3/5	60%
Mercedita S. Nolledo	6/6	100%

**Mr. Montinola became a fourth member of the ALI Audit and Risk Committee on April 17, 2013.*

- We recommended to the Board of Directors the re-appointment of SGV & Co. as independent external auditor for 2014, based on the review of their performance and qualifications, including consideration of management's recommendation;
- We reviewed and discussed the quarterly consolidated financial statements and the annual consolidated financial statements of Ayala Land, Inc. and subsidiaries, including Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2013, with the Company's management and SGV & Co. These activities were performed in the following context:
    - That management has the primary responsibility for the financial statements and the reporting process.
    - That SGV & Co. is responsible for expressing an opinion on the conformity of the Company's consolidated audited financial statements with Philippine Financial Reporting Standards.
- We reviewed and approved the management representation letter before submission to the Company's independent external auditors;
- We discussed and approved the overall scope and the respective audit plans of the Company's Internal Auditors and SGV & Co. We have also discussed the results of their audits and their assessment of the Company's internal controls and the overall quality of the financial reporting process;
- We also reviewed the reports of the Internal Auditors, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal controls and compliance issues. All the activities performed by Internal Audit were conducted in conformity with the International Standards for the Professional Practice of Internal Auditing;
- We reviewed and approved all audit, audit-related, and permitted non-audit services provided by SGV & Co. to Ayala Land, Inc. and the related fees for such services. We also assessed the compatibility of non-audit services with the auditor's roles and responsibilities to ensure that such services will not impair their independence;
- We reviewed and discussed the adequacy of the Company's enterprise-wide risk management process, including the major risk exposures, the related risk mitigation efforts and initiatives, and the status of risk mitigation plans. The review was undertaken in the context that management is primarily responsible for the risk management process.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit and Risk Committee recommended to the Board of Directors the inclusion of the Company's consolidated financial statements as of and for the year ended December 31, 2013 in the Company's Annual Report to the Stockholders and for filing with the Securities and Exchange Commission.

February 17, 2014

OSCAR S. REYES
Committee Chair

JAIME C. LAYA
Member

MERCEDITA S. NOLLEDO
Member

AURELIO R. MONTINOLA III
Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Ayala Land, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

FERNANDO ZOBEL DE AYALA
Chairman, Board of Directors

ANTONINO T. AQUINO
President and Chief Executive Officer

JAIME E. YSMAEL
Chief Finance Officer

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

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Ayala Land, Inc.
Tower One, Ayala Triangle
Ayala Avenue, Makati City

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

Management's Responsibility for the 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.

Auditors' 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 audit 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 Ayala Land, Inc. and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225155, January 2, 2014, Makati City

February 21, 2014

A member firm of Ernst & Young Global Limited

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31		January 1
	2013	2012 (As restated – Note 2)	2012 (As restated – Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4 and 29)	**₱27,966,138**	₱32,122,085	₱27,285,676
Short-term investments (Notes 5 and 29)	**16,728**	16,503	194,943
Financial assets at fair value through profit or loss (Notes 6 and 29)	**13,403,497**	713,716	–
Accounts and notes receivable (Notes 7 and 29)	**42,709,104**	33,795,091	22,198,407
Inventories (Note 8)	**43,572,245**	27,322,746	22,934,678
Other current assets (Note 9)	**19,319,245**	17,085,213	7,169,432
Total Current Assets	**146,986,957**	111,055,354	79,783,136
Noncurrent Assets			
Noncurrent accounts and notes receivable (Notes 7 and 29)	**17,648,365**	15,406,987	8,539,341
Available-for-sale financial assets (Notes 10 and 29)	**336,261**	472,915	705,455
Land and improvements (Note 11)	**62,722,720**	48,815,444	18,736,580
Investments in associates and joint ventures (Note 12)	**9,318,774**	7,878,482	8,008,258
Investment properties (Note 13)	**59,183,364**	49,551,679	40,900,658
Property and equipment (Note 14)	**17,694,470**	15,352,299	5,596,924
Deferred tax assets - net (Note 23)	**5,161,046**	3,025,323	2,159,938
Other noncurrent assets (Notes 15 and 26)	**6,421,728**	2,557,197	1,968,708
Total Noncurrent Assets	**178,486,728**	143,060,326	86,615,862
	₱325,473,685	₱254,115,680	₱166,398,998

LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables (Notes 16 and 29)	**₱79,478,164**	₱55,938,663	₱39,499,828
Short-term debt (Notes 17 and 29)	**12,407,056**	9,779,146	5,306,844
Income tax payable	**1,056,682**	894,746	267,194
Current portion of long-term debt (Notes 17 and 29)	**3,542,152**	6,591,354	1,861,761
Deposits and other current liabilities (Note 18)	**5,139,153**	5,467,315	1,568,952
Total Current Liabilities	**101,623,207**	78,671,224	48,504,579
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 17 and 29)	**85,952,677**	58,407,563	31,872,396
Pension liabilities (Note 26)	**1,147,484**	586,420	299,090
Deferred tax liabilities - net (Note 23)	**1,306,517**	1,043,979	762,058
Deposits and other noncurrent liabilities (Notes 19 and 29)	**23,346,234**	19,866,280	8,980,548
Total Noncurrent Liabilities	**111,752,912**	79,904,242	41,914,092
Total Liabilities	**213,376,119**	158,575,466	90,418,671

(Forward)

	December 31		January 1
	2013	2012 (As restated – Note 2)	2012 (As restated – Note 2)
Equity (Note 20)			
Equity attributable to equity holders of Ayala Land, Inc.			
Paid-up capital	**₱44,455,043**	₱34,118,600	₱18,960,206
Retained earnings	**57,608,700**	49,996,249	43,860,055
Stock options outstanding (Note 28)	**198,274**	213,758	232,298
Actuarial loss on pension liabilities (Note 26)	**(524,678)**	(253,723)	(104,831)
Net unrealized gain on available-for-sale financial assets (Note 10)	**32,105**	36,752	50,797
Equity reserves (Note 2)	**(3,299,669)**	8,960	8,960
Treasury shares	**–**	(2,127,427)	(823,967)
	98,469,775	81,993,169	62,183,518
Non-controlling interests	**13,627,791**	13,547,045	13,796,809
Total Equity	**112,097,566**	95,540,214	75,980,327
	₱325,473,685	₱254,115,680	₱166,398,998

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Figures)

	Years Ended December 31		
	2013	2012 (As restated – Note 2)	2011 (As restated – Note 2)
REVENUE			
Real estate (Notes 21 and 25)	**₱76,337,434**	₱54,705,427	₱44,837,984
Interest and investment income (Notes 6, 7, 24 and 25)	**3,538,357**	4,277,103	1,694,644
Equity in net earnings of associates and joint ventures (Note 12)	**549,741**	535,911	388,964
Other income (Note 22)	**1,097,538**	413,721	746,018
	81,523,070	59,932,162	47,667,610
COSTS AND EXPENSES			
Real estate (Note 22)	**51,839,186**	37,025,710	29,991,118
General and administrative expenses (Notes 22, 26 and 28)	**5,929,336**	4,726,568	3,763,894
Interest and other financing charges (Note 22)	**4,115,555**	3,264,994	2,098,876
Other charges (Note 22)	**678,930**	367,296	217,991
	62,563,007	45,384,568	36,071,879
INCOME BEFORE INCOME TAX	**18,960,063**	14,547,594	11,595,731
PROVISION FOR INCOME TAX (Note 23)			
Current	**6,654,709**	4,619,595	2,751,353
Deferred	**(1,999,339)**	(1,148,487)	255,509
	4,655,370	3,471,108	3,006,862
NET INCOME	**₱14,304,693**	₱11,076,486	₱8,588,869
Net income attributable to:			
Equity holders of Ayala Land, Inc. (Note 27)	**₱11,741,764**	₱9,038,328	₱7,140,308
Non-controlling interests	**2,562,929**	2,038,158	1,448,561
	₱14,304,693	₱11,076,486	₱8,588,869
Earnings Per Share (Note 27)			
Net income attributable to equity holders of Ayala Land, Inc.			
Basic	**₱0.84**	₱0.68	₱0.55
Diluted	**0.83**	0.67	0.55

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated – Note 2)	2011 (As restated – Note 2)
Net income	**₱14,304,693**	₱11,076,486	₱8,588,869
Other comprehensive income (loss)			
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent years:			
Net unrealized gain (loss) on available-for-sale financial assets (Note 10)	**(7,141)**	4,281	15,464
Other comprehensive loss not to be reclassified to profit or loss in subsequent years:			
Actuarial losses on pension liabilities (Note 26)	**(390,646)**	(228,916)	(45,218)
Tax effect relating to components of other comprehensive loss	**117,194**	68,675	13,565
Total other comprehensive loss – net of tax	**(280,593)**	(155,960)	(16,189)
Total comprehensive income	**₱14,024,100**	₱10,920,526	₱8,572,680
Total comprehensive income attributable to:			
Equity holders of Ayala Land, Inc.	**₱11,466,162**	₱8,875,391	₱7,122,155
Non-controlling interests	**2,557,938**	2,045,135	1,450,525
	₱14,024,100	₱10,920,526	₱8,572,680

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except Par Value and Cash Dividends Per Share Figures)

	Years Ended December 31		
	2013	2012 (As restated – Note 2)	2011 (As restated – Note 2)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.			
Common Shares - ₱1.00 par value (Note 20)			
Issued:			
Balance at beginning of year	**₱13,729,402**	₱13,022,771	₱13,012,004
Issuance of shares	**334,500**	706,631	10,767
Balance at end of year	**14,063,902**	13,729,402	13,022,771
Subscribed:			
Balance at beginning of year	**102,159**	99,917	96,468
Additions	**341,726**	708,873	14,216
Issuance of shares	**(334,500)**	(706,631)	(10,767)
Balance at end of year	**109,385**	102,159	99,917
Preferred Shares - ₱0.10 par value (Note 20)			
Balance at beginning of year	**2,610,109**	1,303,460	1,303,460
Issuance of shares	**–**	1,306,649	–
Retirement of shares	**(1,303,460)**	–	–
Balance at end of year	**1,306,649**	2,610,109	1,303,460
Additional Paid-in Capital			
Balance at beginning of year	**18,216,407**	4,887,298	4,614,184
Additions (Notes 20 and 28)	**11,495,929**	13,329,109	273,114
Balance at end of year	**29,712,336**	18,216,407	4,887,298
Subscriptions Receivable			
Balance at beginning of year	**(539,477)**	(353,240)	(344,968)
Additions	**(378,950)**	(405,986)	(138,337)
Collections	**181,198**	219,749	130,065
Balance at end of year	**(737,229)**	(539,477)	(353,240)
Total Paid-up Capital	**44,455,043**	34,118,600	18,960,206
Retained Earnings (Note 20)			
Appropriated for future expansion	**6,000,000**	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year	**44,061,754**	37,925,560	32,756,821
Effect of change in accounting policy for retirement obligation (Note 2)	**(65,505)**	(65,505)	(65,505)
Balance beginning of year as restated	**43,996,249**	37,860,055	32,691,316
Cash dividends			
Common share - ₱0.29 per share in 2013, ₱0.21 per share in 2012 and ₱0.15 per share in 2011	**(4,067,275)**	(2,856,438)	(1,911,088)
Preferred share - ₱0.005 or 4.64%	**(62,038)**	(45,696)	(60,481)
Net income	**11,741,764**	9,038,328	7,140,308
Balance at end of year	**51,608,700**	43,996,249	37,860,055

(Forward)

	Years Ended December 31		
	2013	2012 (As restated – Note 2)	2011 (As restated – Note 2)
Stock Options Outstanding (Note 28)			
Balance at beginning of year	**₱213,758**	₱232,298	₱202,500
Cost of stock options	**19,688**	31,751	32,540
Stock options exercised	**(35,172)**	(50,291)	(2,742)
Balance at end of year	**198,274**	213,758	232,298
Actuarial Loss on Pension Liabilities			
Balance at beginning of year	**(253,723)**	(104,831)	(73,719)
Net changes during the year	**(270,955)**	(148,892)	(31,112)
Balance at end of year	**(524,678)**	(253,723)	(104,831)
Net Unrealized Gain on Available-for-Sale Financial Assets (Note 10)			
Balance at beginning of year	**36,752**	50,797	37,838
Net changes during the year	**(4,647)**	(14,045)	12,959
Balance at end of year	**32,105**	36,752	50,797
Equity Reserves (Notes 2 and 20)			
Balance at beginning of year	**8,960**	8,960	8,960
Movement during the year	**(3,308,629)**	–	–
Balance at end of year	**(3,299,669)**	8,960	8,960
Treasury Shares (Note 20)			
Balance at beginning of year	**(2,127,427)**	(823,967)	(823,967)
Reissuance	**823,967**	–	–
Retirement	**1,303,460**	–	–
Redemption	**–**	(1,303,460)	–
Balance at end of year	**–**	(2,127,427)	(823,967)
NON-CONTROLLING INTERESTS			
Balance at beginning of year	**9,230,018**	9,685,546	8,612,976
Effect of change in accounting policy for consolidation (Note 2)	**4,751,836**	3,675,927	3,610,942
Net income	**2,562,929**	2,038,158	1,448,561
Net increase (decrease) in non-controlling interests	**(1,823,285)**	(852,405)	974,457
Dividends paid to non-controlling interests	**(1,109,467)**	(1,034,264)	(857,040)
Net gain (loss) on available-for-sale financial assets	**(2,494)**	18,326	2,505
Actuarial loss on pension liabilities	**18,254**	15,757	4,408
Balance at end of year	**13,627,791**	13,547,045	13,796,809
	₱112,097,566	₱95,540,214	₱75,980,327
Total Comprehensive Income			
Net income attributable to:			
Equity holders of Ayala Land, Inc.	**₱11,741,764**	₱9,038,328	₱7,140,308
Non-controlling interests	**2,562,929**	2,038,158	1,448,561
	14,304,693	11,076,486	8,588,869
Net gain (loss) on available-for-sale financial assets attributable to (Note 10):			
Equity holders of Ayala Land, Inc.	**(4,647)**	(14,045)	12,959
Non-controlling interests	**(2,494)**	18,326	2,505
	(7,141)	4,281	15,464
Actuarial loss on pension liabilities attributable to:			
Equity holders of Ayala Land, Inc.	**₱270,955**	₱148,892	₱31,112
Non-controlling interests	**2,497**	11,349	541
	273,452	160,241	31,653
	₱14,024,100	₱10,920,526	₱8,572,680

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated – Note 2)	2011 (As restated – Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱18,960,063**	₱14,547,594	₱11,595,731
Adjustments for:			
Depreciation and amortization (Notes 13, 14, 15 and 22)	**3,898,401**	2,714,537	2,904,810
Interest and other financing charges (Note 22)	**4,115,555**	3,264,994	2,098,876
Dividends received from investees (Note 12)	**236,431**	34,631	–
Cost of share-based payments (Note 28)	**232,659**	248,436	178,791
Unrealized loss on financial assets at fair value through profit or loss (Note 22)	**657**	–	–
Realized loss (gain) on financial assets at fair value through profit or loss (Note 22)	**(2,104)**	–	4,423
Gain on sale of property and equipment	**(589,102)**	(837)	(964)
Equity in net earnings of associates and joint ventures (Note 12)	**(549,741)**	(535,911)	(388,964)
Interest income	**(3,528,766)**	(3,673,325)	(1,363,791)
Gain on remeasurement of previously held equity interest (Note 24)	**–**	(593,853)	–
Provision for impairment losses (Note 22)	**448,807**	215,054	72,167
Operating income before changes in working capital	**23,222,860**	16,221,320	15,101,079
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable – trade	**(7,162,382)**	(10,565,938)	(5,333,121)
Real estate inventories	**(1,504,321)**	(2,155,247)	(6,000,799)
Other current assets (Note 9)	**(2,451,910)**	(9,713,781)	(2,393,262)
Increase (decrease) in:			
Accounts and other payables	**22,166,391**	13,805,357	13,212,150
Other current liabilities (Note 18)	**(328,162)**	3,898,363	(729,217)
Pension liabilities (Note 26)	**308,364**	171,093	(127,236)
Net cash generated from operations	**34,250,840**	11,661,167	13,729,594
Interest received	**3,284,026**	3,666,534	1,320,447
Income tax paid	**(6,366,620)**	(3,835,134)	(2,685,635)
Interest paid	**(3,929,597)**	(3,070,038)	(2,451,401)
Net cash provided by operating activities	**27,238,649**	8,422,529	9,913,005
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/redemption of investments and financial assets at fair value through profit or loss	**106,977**	212,258	1,664,798
Sale of available-for-sale financial assets	**129,513**	220,049	–
Sale of interest in a subsidiary (Note 2)	**–**	–	137,000
Disposal of property and equipment (Note 14)	**690,899**	41,040	65,792
Disposal of investment properties (Note 13)	**131,781**	1,653	148,823

(Forward)

	Years Ended December 31		
	2013	2012 (As restated – Note 2)	2011 (As restated – Note 2)
Additions to:			
Short-term investments and financial assets at fair value through profit or loss	**(₱12,795,536)**	₱–	₱–
Available-for-sale financial assets (Note 10)	**–**	–	(1,140)
Land and improvements (Note 11)	**(30,056,560)**	(31,273,707)	(4,049,285)
Investments in associates and joint ventures (Note 12)	**(1,126,982)**	(188,423)	(1,017,108)
Investment properties (Note 13)	**(10,797,538)**	(10,160,717)	(10,266,323)
Property and equipment (Note 14)	**(5,117,877)**	(5,520,095)	(2,312,680)
Accounts and notes receivable - nontrade (Note 7)	**(3,068,467)**	(6,972,796)	(2,732,373)
Net decrease (increase) in other noncurrent assets	**(2,528,361)**	(177,384)	3,336,311
Acquisition of non-controlling interest (Note 20)	**(5,520,000)**	–	–
Acquisition of subsidiary, net of cash acquired (Note 24)	**–**	(1,096,432)	–
Net cash used in investing activities	**(69,952,151)**	(54,914,554)	(15,026,185)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short and long-term debt (Note 17)	**58,740,478**	45,143,963	17,894,765
Payments of short and long-term debt (Note 17)	**(31,616,655)**	(13,078,096)	(3,710,502)
Increase in deposits and other noncurrent liabilities	**3,479,954**	10,885,732	1,384,023
Capital infusion by non-controlling interests in consolidated subsidiaries	**1,005,254**	446,793	597,224
Redemption of non-controlling interests in consolidated subsidiaries	**(182,359)**	(1,733,715)	(55,800)
Proceeds from capital stock subscriptions	**9,790,114**	14,891,418	130,065
Proceeds from reissuance of treasury shares	**2,425,613**	–	–
Redemption of treasury shares	**–**	(1,303,460)	–
Dividends paid to non-controlling interests	**(1,109,467)**	(1,034,264)	(857,040)
Dividends paid to equity holders of Ayala Land, Inc. (Note 20)	**(3,975,377)**	(2,889,937)	(2,591,828)
Net cash provided by financing activities	**38,557,555**	51,328,434	12,790,907
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,155,947)**	4,836,409	7,677,727
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**32,122,085**	27,285,676	19,607,949
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱27,966,138**	₱32,122,085	₱27,285,676

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Ayala Land, Inc. (the Company) is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines. The Company's parent is Ayala Corporation (AC). AC is a publicly-listed company, 50.66%-owned by Mermac, Inc., 10.52%-owned by Mitsubishi Corporation and the rest by the public. The Company's registered office and principal place of business is Tower One, Ayala Triangle, Ayala Avenue, Makati City.

The Company and its Subsidiaries (the Group) are incorporated to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Group or of other persons; and to engage or act as real estate broker. The Group is also involved in hotels and resorts operations.

The consolidated financial statements of Ayala Land, Inc. and Subsidiaries as of December 31, 2013 and 2012 and January 1, 2012 and for each of the three years in the period ended December 31, 2013 were endorsed for approval by the Audit Committee on February 17, 2014 and were approved and authorized for issue by the Board of Directors (BOD) on February 21, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency and all values are rounded to the nearest thousand (₱000) except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies.

Certain amounts shown in the face of the financial statements do not correspond to the audited December 31, 2012 and 2011 consolidated financial statements and reflect adjustments made. Refer to the subsequent paragraphs for the nature and impact of the new and amended accounting standards adopted by the Group effective January 1, 2013.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2013 and 2012 and January 1, 2012 and for each of the three years in the period ended December 31, 2013.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of 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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statements of financial position, separately from the Company's equity.

Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained.
- Any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The consolidated financial statements represent the consolidation of the financial statements of the Company and the following domestic and foreign subsidiaries: G4-9

	Percentages of Ownership		
	December 31		January 1,
	2013	2012	2012
Real Estate:			
Alveo Land Corporation (Alveo)	**100%**	100%	100%
Serendra, Inc.	**39**	39	39
Solinea, Inc. (Solinea)	**65**	65	65
BGSouth Properties, Inc. (BGS)	**50**	50	50
Portico Land Corp. (Portico)	**60**	–	–
Serendra, Inc.	**28**	28	28
Amorsedia Development Corporation	**100**	100	100
OLC Development Corporation and Subsidiary	**100**	100	100
HLC Development Corporation	**100**	100	100
Allysonia International Ltd.	**100**	100	100
Avida Land Corporation (Avida)	**100**	100	100
Buklod Bahayan Realty and Development Corp.	**100**	100	100
Avida Sales Corp. and Subsidiaries	**100**	100	100
Amicassa Process Solutions, Inc.	**100**	100	100
Avencosouth Corp. (Avencosouth)	**70**	70	–
BGNorth Properties, Inc. (BGN)	**50**	50	50
Amaia Land Co. (Amaia)	**100**	100	100
Amaia Southern Properties, Inc. (ASPI)	**65**	–	–
Ayala Land International Sales, Inc. (ALISI)	**100**	100	100
Ayalaland International Marketing, Inc. (AIMI)	**100**	100	–
Ayala Land Sales, Inc.	**100**	100	100
Buendia Landholdings, Inc.	**100**	100	100
Crans Montana Holdings, Inc.	**100**	100	100
Crimson Field Enterprises, Inc.	**100**	100	100
Ecoholdings Company, Inc. (ECI)	**100**	100	100
NorthBeacon Commercial Corporation NBCC)	**100**	100	100
Red Creek Properties, Inc.	**100**	100	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	**100**	100	100
Asterion Technopod, Incorporated (ATI)	**100**	100	100
Westview Commercial Ventures Corp. (formerly Crestview E-Office Corporation) (Westview)	**100**	100	100
Fairview Prime Commercial Corp. (formerly Gisborne Property Holdings, Inc.)	**100**	100	100
Hillsford Property Corporation (HPC)	**100**	100	100
Primavera Towncentre, Inc. (PTI)	**100**	100	100
Summerhill E-Office Corporation (Summerhill)	**100**	100	100
Sunnyfield E-Office Corporation (Sunnyfield)	**100**	100	100
Subic Bay Town Centre, Inc.	**100**	100	100
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	**100**	100	100
AyalaLand Real Estate Investments Inc.	**100**	–	–
AyalaLand Advisory Broadway Inc.	**100**	–	–
AyalaLand Development (Canada) Inc.	**100**	–	–
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**	100	100
Arvo Commercial Corporation (Arvo)	**100**	100	100
BellaVita Land Corporation (BellaVita)	**100**	100	100

	Percentages of Ownership		
	December 31		January 1,
	2013	2012	2012
Nuevo Centro, Inc. (Nuevo Centro)	**100**	100	100
Cavite Commercial Town Center, Inc.	**100**	100	100
ALI Property Partners Corp. (APPCo) (Note 24)	**100**	68	68
One Dela Rosa Property Development, Inc.	**100**	68	68
First Gateway Real Estate Corp.	**100**	68	68
Glensworth Development, Inc. (Glensworth)	**100**	68	68
UP North Property Holdings, Inc.	**100**	68	68
Laguna Technopark, Inc. (LTI)	**75**	75	75
Ecozone Power Management, Inc.	**75**	75	75
Aurora Properties Incorporated	**78**	70	70
Vesta Property Holdings, Inc.	**70**	70	70
Station Square East Commercial Corporation (SSECC)	**69**	69	69
Asian I-Office Properties, Inc. (AiO) (Note 24)	**–**	60	60
Accendo Commercial Corp. (Accendo)	**67**	67	67
Avencosouth Corp.	**20**	20	–
Aviana Development Corporation	**7**	–	–
Aviana Development Corporation	**50**	–	–
Cagayan de Oro Gateway Corp. (CDOGC)	**70**	70	51
Ceci Realty, Inc. (Ceci)	**60**	60	60
Soltea Commercial Corp.	**24**	–	–
Soltea Commercial Corp.	**60**	–	–
CMPI Holdings, Inc.	**60**	60	60
CMPI Land, Inc.	**36**	36	36
ALI-CII Development Corporation (ALI-CII)	**50**	50	50
Roxas Land Corporation (RLC)	**50**	50	50
Adauge Commercial Corporation (Adauge)	**87**	100	–
Southgateway Development Corp. (SDC)	**100**	100	–
Ayalaland MetroNorth, Inc. (AMNI)	**100**	100	–
North Triangle Depot Commercial Corporation (NTDCC)	**49**	49	49
BGWest Properties, Inc. (BGW)	**50**	50	50
Cebu Holdings, Inc. (CHI)	**50**	47	47
Cebu Property Ventures Development Corp and Subsidiary	**38**	76	76
Cebu Leisure Company, Inc.	**50**	50	50
CBP Theatre Management Inc.	**50**	50	50
Taft Punta Engaño Property Inc. (TPEPI)	**55**	–	–
Cebu Insular Hotel Company, Inc. (CIHCI)	**19**	19	19
Solinea, Inc.	**18**	18	18
Amaia Southern Properties, Inc. (ASPI)	**18**	–	–
Alabang Commercial Corporation (ACC)	**50**	50	50
South Innovative Theater Management (SITMI)	**50**	50	50
Construction:			
Makati Development Corporation (MDC)	**100**	100	100
MDC – Subic, Inc.	**100**	100	100
MDC – Build Plus, Inc.	**100**	100	100
MDC Conqrete, Inc. (MCI)	**100**	–	–
MDC Equipment Solutions, Inc. (MESI)	**100**	–	–

	Percentages of Ownership		
	December 31		January 1,
	2013	2012	2012
Hotels and Resorts:			
Ayala Hotels, Inc. (AHI)	**50**	50	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	**100**	100	100
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.) (Note 24)	**80**	80	–
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) (Note 24)	**80**	80	–
Asian Conservation Company Limited and Subsidiary	**100**	–	–
Enjay Hotels, Inc. (Enjay)	**100**	100	100
Greenhaven Property Venture, Inc. (GPVI)	**100**	100	100
Cebu Insular Hotel Company, Inc. (CIHCI)	**63**	63	63
Bonifacio Hotel Ventures, Inc.	**100**	100	100
Southcrest Hotel Ventures, Inc.	**67**	67	67
Northgate Hotel Ventures, Inc.	**70**	70	70
North Triangle Hotel Ventures, Inc.	**100**	100	100
Ecosouth Hotel Ventures, Inc.	**100**	100	100
ALI Makati Hotels & Residences, Inc. (formerly KHI-ALI Manila, Inc.) (Note 24)	**20**	20	20
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) (Note 24)	**20**	20	20
Ten Knots Phils., Inc. (TKPI) (Note 24)	**60**	60	60
Bacuit Bay Development Corporation	**60**	60	60
Ten Knots Development, Corp. (TKDC) (Note 24)	**60**	60	60
Chirica Resorts Corp.	**60**	60	60
Kingfisher Capital Resources Corp.	**60**	60	60
Property Management:			
Ayala Property Management Corporation (APMC)	**100**	100	100
Ayala Theatres Management, Inc. and Subsidiaries	**100**	100	100
DirectPower Services, Inc. (DirectPower)	**100**	100	100
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**60**	60	100
Entertainment:			
Five Star Cinema, Inc.	**100**	100	100
Leisure and Allied Industries Philippines, Inc. (LAIP)	**50**	50	50
Others:			
MZM Holdings, Inc. (MZM)	**–**	100	100
ALInet.com, Inc. (ALInet)	**100**	100	100
First Longfield Investments Limited (First Longfield) (Hongkong company)	**100**	100	100
Green Horizons Holdings Limited	**100**	100	100
Food Court Company, Inc. (FCCI)	**–**	100	100
Aprisa Business Process Solutions, Inc. (Aprisa)	**100**	100	100
Studio Ventures, Inc. (SVI)	**–**	100	100
AyalaLand Club Management, Inc.	**100**	100	100

	Percentages of Ownership		
	December 31		January 1,
	2013	2012	2012
Varejo Corp. (Varejo)	**100**	100	–
Solerte, Inc.	**100**	–	–
Verde Golf Development Corporation	**100**	–	–
Whiteknight Holdings, Inc. (WHI)	**100**	–	–

AC owns the other 50% of AHI. The Company exercises control over AHI. Likewise, the Company, through its 50% effective ownership and by virtue of a management contract or shareholders' agreement, exercises control over the operations and management of RLC, ALI-CII and LAIP. Accordingly, the accounts of AHI, RLC, ALI-CII and LAIP are consolidated to the accounts of the Company.

The following were the changes in the group structure during 2013: G4-13

Portico Land Corp., is a subsidiary of Alveo and was incorporated on October 2, 2013. Portico is 60% owned by Alveo and 40% by Mitsubishi Corp. The subsidiary was organized to develop and operate the mixed-use developments primarily in Ortigas center.

Aviana Development Corporation, incorporated on September 17, 2013, is a 60-40 joint venture company between the Ayala Land Group (10%-owned by Accendo) and the Alcantara Group. The Company will develop approximately 27-hectare waterfront property in Lanang, Davao City. The first phase of the project is expected on the 2nd quarter of 2014.

MDC Equipment Solutions, Inc. (MESI) is a wholly-owned subsidiary of MDC. MESI was incorporated on September 16, 2013 primarily to acquire, manage, and operate tools, heavy equipment and motor vehicles.

Taft Punta Engaño Property Inc. (TPEPI) was incorporated on September 8, 2011, a wholly-owned subsidiary of Taft Property Venture Development Corporation (TPVDC), the real estate arm under the VICSAL Development Corporation. TPEPI's primary purpose is to create a mixed-use commercial and residential district within a 12-hectare property in Lapu-Lapu City. A joint venture agreement was entered into last April 26, 2013 between TPVDC and the Company. Under the agreement, the Company will own 55% of TPEPI and TPVDC will own the remaining 45% of TPEPI. The Company's rights to the venture were subsequently transferred to CHI on September 18, 2013 to enhance the latter's portfolio and operations. It is consistent with the thrust of CHI to expand its business.

MDC Conqrete, Inc. (MCI) is a wholly-owned subsidiary of MDC. MCI was incorporated on August 12, 2013 primarily to manufacture, facilitate, prepare, ready-mix, pre-cast and pre-fabricate floor slabs, wall panels and other construction materials and to manufacture, buy, sell and deal with cement and other related products.

Verde Golf Development Corporation, a wholly-owned subsidiary of the Company, was registered on August 8, 2013 primarily to develop, maintain, operate, manage and carry on the business, operation and management of the Southlinks golf facilities for the amusement, entertainment, recreation, leisure and athletic activities of the general public.

Soltea Commercial Corp., a joint venture between the Company (60%) and Ceci Realty, Inc. (40%), was incorporated on June 13, 2013. Currently, its main purpose is the development of Solenad 3 project in Sta. Rosa, Laguna.

Whiteknight Holdings, Inc. (WHI) was registered on May 14, 2013. The Company entered into an agreement with the Mercado family to acquire WHI in July 2013. The transaction was consummated in November 2013, thereby making WHI a wholly-owned subsidiary of the Company. WHI owns 33% equity stake in Mercado General Hospital, Inc., owner and operator of the Daniel O. Mercado Medical Center in Tanauan, Batangas, the University Physicians Medical Center through its subsidiary Mercado Ambulatory and Surgical Centers, Inc., DMMC - Institute of Health Sciences, Inc. and Panay Medical Ventures, Inc.

On March 25, 2013, the Company increased its equity interest in Aurora Properties Incorporated to 77.78% (from 70.00%) with the acquisition of a portion of the shares of Coromandel, Inc.

On February 12, 2013, Amaia together with Cebu Holdings Inc. (CHI) organized and incorporated Amaia Southern Properties, Inc. (ASPI) primarily to purchase and develop new real estate properties for planned projects in the south. ASPI is 65%-owned by Amaia and 35% by CHI.

Solerte, Inc., a wholly-owned subsidiary, was incorporated on February 12, 2013 as a shared-service entity to provide manpower services for the Ayala Malls Group.

AyalaLand Real Estate Investments Inc. was incorporated on February 4, 2013 under the laws of British Columbia, Canada. It is 100% owned by the Company through RegentWise. It is the beneficiary of the Trust and a Shareholder of Rize-AyalaLand (Kingsway) GP Inc. As of December 2013, it is a party to the Rize-AyalaLand (Kingsway) Limited Partnership.

AyalaLand Advisory Broadway Inc. was incorporated on February 4, 2013 under the laws of British Columbia, Canada. It is a wholly-owned subsidiary of the Company through Regent Wise. It is the Trustee of the Trust.

AyalaLand Development (Canada) Inc. was incorporated on February 15, 2013 under the laws of British Columbia, Canada. It is a wholly-owned subsidiary of the Company through Regent Wise. It is a party to the Management Services Agreement between Rize-AyalaLand (Kingsway) Limited Partnership, Rize-AyalaLand (Kingsway) GP Inc., Rize Alliance Properties Ltd. and AyalaLand Development (Canada) Inc.

On April 16, 2013, the Company sold its 60% interest in Asian i-Office Properties, Inc. (AIO) to CPVDC, a 76.3%-owned subsidiary of CHI, a subsidiary of the Company.

The fair value of the investment in CHI amounted to ₱5,450.6 million, ₱3,825.0 million and ₱2,270.5 million as of December 31, 2013 and 2012 and January 1, 2012, respectively.

In 2013, the Company acquired the remaining 32% non-controlling interests in APPCo. AHRC, a subsidiary of the Company, acquired 100% interest in ACC effectively purchasing the remaining 40% interests in TKPI and TKDC at ALI group level (see Notes 20 and 24).

In 2013, SVI, MZM and FCCI were dissolved.

The following were the changes in the group structure during 2012:

AMNI was incorporated on November 29, 2012 and is a wholly-owned subsidiary of the Company. It is established primarily to develop and operate shopping malls and offices.

SDC, a wholly-owned subsidiary of the Company, was incorporated on October 19, 2012 for the real estate development projects of the Group.

Adauge, a wholly-owned subsidiary of the Company, was incorporated on September 5, 2012 for the acquisition and development of a mixed-use project in Mandurriao, Iloilo City. On September 23, 2013, Adauge issued 6,946,542 common and 62,518,881 preferred shares to Antoman Realty Corp. decreasing the Company’s ownership from 100% to 86.63%.

Varejo, a wholly-owned subsidiary of the Company, was incorporated on June 25, 2012 as the holding company for the retail-related initiatives. In 2012, the Company, through Varejo, formed a partnership with Specialty Investments, Inc. (SII) to pursue opportunities in the Philippine retail sector. SII is a wholly-owned subsidiary of Stores Specialists, Inc. (SSI), one of the largest retail companies in the Philippines, with the exclusive rights to sell, distribute and market in the country a variety of brands from around the world. The partnership with SII will enable the Company to support its mixed-use developments and, at the same time, grow its recurring income portfolio.

Avencosouth was organized to engage in condominium development. The Company holds 90% indirect interest in Avencosouth. It is 70% owned by Avida (wholly-owned subsidiary of the Company) and 30% owned by Accendo (67% owned by the Company). Avencosouth was registered on April 26, 2012 and started commercial operations on August 11, 2012.

AIMI, a wholly-owned subsidiary of ALISI, was incorporated on February 28, 2012 to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

The Company, a principal shareholder of CHI increased its beneficial ownership to 49.80% or 956,241,738 shares with the additional investment of 48,890,905 shares acquired at ₱5.11 per share on October 9, 2012.

The Company, a principal shareholder of CDOGC increased its beneficial ownership to 70% or 867,680,000 shares with the additional investments of 480,680,000 shares at ₱1 per share on May 4, 2012.

The following were the changes in the group structure during 2011:

AyalaLand Club Management, Inc., a wholly-owned subsidiary of the Company, was registered on December 26, 2011 primarily to provide management and consultancy services to the general public, including the supervision, direction, management and control of the operations, business and affairs of other corporations, firms or persons engaged in the legitimate business of resorts, golf courses, and clubhouses, sports facilities, hotels, and other sports and leisure activities; to deal, engage and transact with real estate and personal property of all kinds; and to engage in such incidental, desirable or subordinate activities to achieve the foregoing purpose, except management of funds, securities and portfolios of similar assets of a managed entity.

MDC Build Plus, a wholly-owned construction subsidiary of MDC, was incorporated on October 17, 2011 to primarily cater to projects focusing on the lower end of the base of the pyramid, particularly the residential brands Amaia and BellaVita.

DirectPower, a wholly-owned subsidiary of the Company, was formed on September 14, 2011 to engage in the bulk purchase and supply of electricity and to introduce various energy solutions.

BGW and BGN were incorporated on August 5, 2011, while BGS was incorporated on August 10, 2011 to engage in the development of high-end, upper middle income and affordable residential and retail projects, respectively, in Bonifacio Global City.

Arvo, a wholly-owned subsidiary of the Company, was established on June 23, 2011 primarily to develop and operate shopping malls within the Company's identified growth areas across the country.

CDOGC was established to pursue a mixed-use development with a 47,000 square meter regional mall as its centerpiece. A 150-room boutique hotel shall be located on top of the mall, while a single tower residential condominium with 21 floors and 522 rooms shall be located right beside the mall. The project is strategically located in the economic hub of Cagayan de Oro City.

Nuevo Centro, a wholly-owned subsidiary of the Company, was established on April 15, 2011 to acquire and hold real estate properties for the purpose of developing them into large-scale, mixed-used and masterplanned communities.

BellaVita, a wholly-owned subsidiary, was organized to establish the country's first social enterprise community development targeting minimum wage earners and members of the informal business sector. Its first project in General Trias, Cavite was launched in December 2011.

On March 5, 2011, the Group through Alveo acquired a landholding entity, by way of acquisition of shares of stock of Solinea which was incorporated and registered on April 2, 2007 with the purpose of developing properties particularly located in Cebu Business Park to generate future income. Alveo purchased 16.25 million shares of Solinea for ₱230.8 million, representing 65%, while CHI, purchased the remaining 35% representing 8.75 million shares for ₱124.2 million.

In 2011, the Company sold its 40% interest in PhilEnergy for ₱137.0 million. Gain on sale recognized as equity reserves amounted to ₱9.0 million.

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which became effective January 1, 2013.

The Group applied, for the first time, certain standards and amendments that required restatement of previous financial statements or inclusion of additional disclosures. These include PFRS 10, *Consolidated Financial Statements,* PFRS 11, *Joint Arrangements,* PAS 19, *Employee Benefits* (Revised 2011), PFRS 13, *Fair Value Measurement* and amendments to PAS 1, *Presentation of Financial Statements.* In addition, the application of PFRS 12, *Disclosure of Interests in Other Entities*, resulted in additional disclosures in the consolidated financial statements.

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

PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

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

The amendments affect disclosures only and have no impact on the Group's financial position or performance. The additional disclosures required by the amendments are presented in Note 29 to the financial statements.

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

The application of PFRS 10 affected the accounting for the Group's interests in NTDCC, CHI, ACC, BGW, BGS and BGN. For all financial years up to December 31, 2012, these entities were accounted for using the equity method. NTDCC, CHI, ACC were considered to be associates under the previously existing PAS 28, *Investments in Associates*, while BGW, BGS and BGN were considered to be jointly controlled entities under the previously existing PAS 31, *Interests in Joint Ventures*. At the date of initial application of PFRS 10, the Group assessed that it controls NTDCC, CHI, ACC, BGW, BGS and BGN based on the factors explained in Note 3, Judgments and Estimates.

The Group consolidated the financial statements of NTDCC, CHI, ACC, BGW, BGS and BGN based on its equity interest and accounted for the balance as noncontrolling interests (NCI) as shown below:

Entities	Group's equity interest	NCI Balance (in thousands)
CHI	49.8%	₱3,324,225
NTDCC	49.3	1,137,387
ACC	50.0	481,261
BGS	50.0	630,792
BGN	50.0	587,887
BGW	50.0	526,553
		₱6,688,105

The assets, liabilities and equity of entities affected have been retrospectively consolidated in the financial statements of the Group. Noncontrolling interests have been recognized at a proportionate share of the net assets of the subsidiary. The opening balances as at January 1, 2012 and comparative information for years ended December 31, 2012 and 2011 have been restated in the consolidated financial statements.

The quantitative impact on the consolidated financial statements is provided below.

Impact on the statements of comprehensive income – increase (decrease):

	Years ended December 31	
	2012	**2011**
REVENUE		
Real estate	₱5,850,603	₱3,607,150
Interest and investment income	502,218	35,748
Equity in net earnings of associates and joint ventures	(798,344)	(509,586)
Other income	(147,130)	328,765
	5,407,347	3,462,077
COSTS AND EXPENSES		
Real estate	3,586,671	2,049,986
General and administrative expenses	283,578	284,282
Interest and other financing charges	214,141	219,106
Other charges	1,846	22,698
	4,086,236	2,576,072
INCOME BEFORE INCOME TAX	1,321,111	886,005
PROVISION FOR INCOME TAX		
Current	1,057,109	419,738
Deferred	(478,097)	(32,021)
	579,012	387,717
NET INCOME	₱742,099	₱498,288
Net income attributable to:		
Equity holders of Ayala Land, Inc.	₱–	₱–
Non-controlling interests	742,099	498,288
	₱742,099	₱498,288

Adoption of PFRS 10 has no impact on the Company's EPS.

Impact on equity – increase (decrease) in net equity:

	December 31, 2012	January 1, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	₱3,525,687	₱2,681,963
Short-term investments	–	3,456
Financial assets at fair value through profit or loss	–	–
Accounts and notes receivable	561,637	620,044
Inventories	3,252,358	1,026,107
Other current assets	3,284,651	134,924
Total Current Assets	10,624,333	4,466,494
Noncurrent Assets		
Noncurrent accounts and notes receivable	5,022,942	1,245,660
Available-for-sale financial assets	18,645	(4,988)
Land and improvements	1,105,291	–
Investments in associates and joint venture	(5,272,656)	(4,617,973)
Investment properties	11,666,598	10,410,347
Property and equipment	182,406	201,454
Deferred tax assets – net	591,548	136,323
Other noncurrent assets	46,642	(12,611)
Total Noncurrent Assets	13,361,416	7,358,212
	₱23,985,749	₱11,824,706

	December 31, 2012	January 1, 2012
LIABILITIES		
Current Liabilities		
Accounts and other payables	₱5,699,530	₱1,370,443
Short-term debt	496,315	668,000
Income tax payable	180,771	87,482
Current portion of long-term debt	204,520	305,000
Deposits and other current liabilities	1,326,289	444,376
Total Current Liabilities	7,907,425	2,875,301
Noncurrent Liabilities		
Long-term debt - net of current portion	4,626,777	3,614,426
Pension liabilities	54,636	19,621
Deferred tax liabilities - net	82,703	17,824
Deposits and other noncurrent liabilities	6,984,025	1,184,762
Total Noncurrent Liabilities	11,748,141	4,836,633
Total Liabilities	19,655,566	7,711,934
NET IMPACT ON EQUITY	₱4,330,183	₱4,112,772

Impact on statements of cash flows (increase/(decrease) in cash flows):

	Years ended December 31	
	2012	**2011**
Operating Activities	(₱2,057,579)	₱1,154,150
Investing Activities	(2,535,305)	(93,637)
Financing Activities	5,436,108	32,808
	₱843,224	₱1,093,321

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

The Group has conducted an assessment of the impact of PFRS 11 on its jointly controlled entities. It was concluded that its jointly controlled entities namely Emerging City Holdings, Inc. and Berkshires Holdings, Inc. should be treated as Joint Ventures. The Company has also concluded that its interest in MDC-First Balfour Joint Venture is considered as a Joint Operation as the parties have the rights to the assets and obligations for the liabilities in proportion to the interest agreed by the parties as stipulated in the Joint Venture Agreement. The Standard has no impact in the Group's financial statements as the Group already accounts for its investment in jointly controlled entities using the equity method.

PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). While the Group has subsidiaries with material noncontrolling interests, there are no unconsolidated structured entities. PFRS 12 disclosures are provided in Note 12.

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

As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 29.

PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

PAS 19, *Employee Benefits* (Revised)
On January 1, 2013, the Group adopted the Revised PAS 19 Employee Benefits.
For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur. The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

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

The effects are detailed below:

	Increase (decrease) as at	
	December 31, 2012	January 1, 2011
	(In Thousands)	
Consolidated statements of financial position		
Pension liabilities	₱478,854	₱249,938
Deferred tax assets	143,656	74,981
Actuarial loss on pension liabilities	(253,723)	(104,831)
Non-controlling interests in net assets of subsidiaries	(15,970)	(4,621)
Retained earnings	(65,505)	(65,505)

Other comprehensive income (OCI) of the Group decreased by ₱228.9 million and ₱45,218 million due to actuarial loss on pension liabilities for the years ended December 31, 2012 and 2011, respectively. Deferred tax impact related to OCI in 2012 and 2011 amounted to ₱68.7 million and ₱13.6 million, respectively. The adoption did not have significant impact on the consolidated statements of income and consolidated statements of cash flows of the Group. In addition, the adoption of the standard did not have an impact on equity in net earnings from investments in associates and joint ventures.

PAS 27, *Separate Financial Statements* (as revised in 2011)
As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.

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

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

PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)
The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, Financial Instruments: *Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

***Annual Improvements to PFRSs* (2009-2011 cycle)**
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has included comparative information in respect of the opening statement of financial position as at January 1, 2012 since there is a retrospective application of an accounting policy. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Group's financial position or performance.

PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.

PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Effective 2014

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

Philippine Interpretation 21, *Levies*
The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that the interpretation will have material financial impact in future financial statements.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group does not have outstanding derivatives as of December 31, 2013. However, these amendments would be considered for future novations of derivatives, as applicable.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective 2015

PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 2, *Share-based Payment – Definition of Vesting Condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments’ Assets to the Entity’s Assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments’ assets to the entity’s assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group’s financial position or performance.

PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

PAS 24, *Related Party Disclosures – Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

PFRS 13, *Fair Value Measurement – Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

No Mandatory Effectivity Date

PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Deferred Effectivity

Philippine Interpretation 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires 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. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The adoption of this interpretation may significantly affect the determination of the Group's revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this interpretation.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of change in value.

<u>Financial Instruments</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income under "Interest and investment income" and "Interest and other financing charges" accounts unless it qualifies for recognition

as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses on investments held for trading, net of interest income accrued on these assets, are recognized in the consolidated statement of income under "Other income" or "Other charges".

Financial assets may be designated at initial recognition as FVPL if any of the following criteria are met:
- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

As of December 31, 2013, the Group holds its investment in Unit Investment Trust Fund (UITF) BPI Short-term fund and investment in ARCH Capital Asian Partners L.P. (ARCH Capital Fund) as held for trading and classified these as financial assets at FVPL. Management takes the view that these are held for trading and it is a portfolio of identified property funds invested and managed by professional managers.

HTM investments
HTM investments are quoted non derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

The amortization is included in "Interest and investment income" in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income under "Other income" or "Other charges" when the HTM investments are derecognized and impaired, as well as through the amortization process.

As of December 31, 2013 and 2012 and January 1, 2012, the Group has no HTM investments.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. This accounting policy relates to the consolidated statement of financial position captions "Short-term investments" and "Accounts and notes receivable" except for "Advances to contractors".

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. The amortization is included in the "Interest and investment income" in the consolidated statements of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income under the "Other charges" account.

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

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified or designated as at FVPL, HTM, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as “Unrealized gain on available-for-sale financial assets” in the equity section of the consolidated statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income under “Other income” account or “Other charges” account. Where the Group holds more than one investment in the same security, these are deemed to be disposed on a weighted average basis. The losses arising from impairment of such investments are recognized in the consolidated statement of income under the “Other charges” account.

When the fair value of the AFS financial assets cannot be measured reliably because of lack of reliable estimation of future cash flows and discount rates necessary to calculate the fair value of computed equity instruments, these investments are carried at cost less allowance for impairment losses. AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

Other financial liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to the Group’s “Accounts and other payables” (other than taxes payable which is covered by other accounting standard), “Short-term and long-term debts,” and other obligations that meet the above definition.

<u>Deposits and Retentions Payable</u>
Deposits and retentions payable are measured initially at fair value. After initial recognition, deposits and retentions payable are subsequently measured at amortized cost using the effective interest method.

For deposits, the difference between the cash received and its fair value is deferred and amortized using the straight-line method under the “Real estate revenue” account in the consolidated statement of income.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:
a. the rights to receive cash flows from the asset have expired;
b. 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

c. the Group has transferred its right 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 the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor is transferred control of the asset, the asset 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 original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability has expired, or is discharged or has cancelled. Where 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 statement of income.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income under "Other charges" account.

Interest income continues to be recognized based on the original effective interest rate of the asset. Receivable, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

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

Financial asset carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 current market rate of return for a similar financial asset.

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income in the "Other charges" account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Interest and investment income" account in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

Cost includes:
- Land cost
- Land improvement cost
- Amounts paid to contractors for construction and development
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

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

The cost of inventory recognized in the consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property and allocated to saleable area based on relative size.

Club shares are stated at the lower of cost and NRV. The cost of club shares sold is determined on the basis mainly of the actual development cost incurred plus the estimated development cost to complete the project based on the estimates as determined by the in-house engineers, adjusted with the actual costs incurred as the development progresses, including borrowing costs during the development stage. NRV is the estimated selling price less estimated cost to complete and sell.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

Materials, Parts and Supplies
Materials, parts and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

An allowance for inventory losses is provided for slow-moving, obsolete and defective materials, parts and supplies based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

Land and Improvements
Land and improvements consist of properties for future development and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties.

Investments in Associates and Joint Ventures
Investments in associates and joint ventures (investee companies) are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Interest in a Joint Operation
Makati Development Corporation (MDC), a subsidiary of the Company, has an interest in a joint arrangement, whereby the parties have a contractual arrangement that establishes joint control. MDC's interest in the joint arrangement is classified as a Joint Operation and accounted for its interest using proportionate consolidation. MDC combines its share of each of the assets, liabilities, income and expenses of the joint operation with similar items, line by line, in its financial statements. In addition, when there has been a change recognized directly in the equity of the joint operation, MDC recognizes its share of any changes, when applicable, in the statement of changes in equity.

The financial statements of the joint operation are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies into line with those of the Company. Adjustments are made in the consolidated financial statements to eliminate the Group's share of unrealized gains and losses on transactions between the Group and the joint operation. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the NRV of current assets or an impairment loss. The joint operation is proportionately consolidated until the date on which the Group ceases to have joint control over the joint operation.

Investment Properties
Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the companies in the Group.

The Group uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction in progress are carried at cost (including borrowing cost) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties follow:

	Years
Land improvements	8-40
Buildings	20-40

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 gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Buildings and improvements	20-40
Machinery and construction equipment	5
Furniture, fixtures and equipment	3-10
Transportation equipment	3-5
Hotel property and equipment	20-50

The assets' residual values, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the amounts, periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life of 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

As of December 31, 2013 and 2012 and January 1, 2012, intangible asset pertaining to leasehold right is included under “Other noncurrent assets”.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration 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 at fair value of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over 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 difference is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of 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 combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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 of and the portion of the cash-generating unit retained.

Combinations of entities under common control

Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined.

The Group opted not to restate the comparative financial information in the consolidated financial statements as allowed by the Philippines Interpretations Committee (PIC) Q&A 2012-01.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the current period presented and on retained earnings at the beginning of the current period presented are eliminated to the extent possible.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific assets:

Investments in associates and joint ventures

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in the consolidated statement of income.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Pension Cost

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes a) service costs comprising current service costs, past-service costs b) gains and losses on curtailments and non-routine settlements, and c) net interest cost on benefit obligation.

Remeasurements, comprising of actuarial gains or losses, the effect of the asset ceiling, excluding net interest cost and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

<u>Share-based Payments</u>
The Group has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options
For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the Black-Scholes model, further details of which are given in Note 28.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instrument that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 Options
For options granted before November 7, 2002 that has vested before January 1, 2005, the intrinsic value of stock options determined as of grant date is recognized as expense over the vesting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 27).

Employee Stock Ownership Plan
The Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Company's shares at a discounted price. The Company recognizes stock compensation expense over the holding period. The Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

Equity
When the shares are sold at premium, the difference between the proceeds at the par value is credited to “Additional paid-in capital” account. Direct costs incurred related to equity issuance are chargeable to “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Equity reserves pertain to gain or loss resulting from increase or decrease of ownership without loss of control.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

For 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. Collectibility of the sales price is demonstrated by the buyer’s commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age 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 (PIC) Q&A 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.

Any excess of collections over the recognized receivables are included in the “Other current liabilities” account in the liabilities section of the consolidated statement 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. Pending recognition of sale, cash received from buyers are presented under the “Other current liabilities” account in the liabilities section of the consolidated statement of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of residential and commercial lots and units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Company’s in-house technical staff.

Revenue from construction contracts included in the “Real estate” account in the consolidated statement of income is recognized using the percentage-of-completion method, measured principally on the basis of the estimated physical completion of the contract work.

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

Rental income under noncancellable and cancellable leases on investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Marketing fees, management fees from administration and property management are recognized when services are rendered.

Rooms revenue from hotel and resort operations is recognized when the services are rendered.

Revenue from banquets and other special events are recognized when the events take place.

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

Dividend income is recognized when the Group's right to receive the payment is established.

Commissions
Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Expenses
Direct operating expenses and general and administrative expenses are recognized as they are incurred.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" and "Property and equipment" accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date 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 fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a 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 the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

Group as lessor
Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statement of income on a straight-line basis over the lease term. 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 revenue in the period in which they are earned.

Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, 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, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

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 assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

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

Foreign Currency Transactions
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

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

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 30 of the consolidated financial statements.

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

Events after the Reporting Period
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

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

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of the properties as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Group considers among others, the significance of the penalty, including the economic consequence to the lessee.

Operating lease commitments - Group as lessee
The Group has entered into lease contracts with various parties to develop commercial or retail properties. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessor.

Classification of a property
The Group determines whether a property is classified as investment property or inventory property as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is a residential or industrial property that the Group develops and intends to sell before or on completion of construction.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Distinction between real estate inventories and land and improvements
The Group determines whether a property will be classified as real estate inventories or land and improvements. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (land and improvements).

Property acquisitions and business combinations
The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in
PAS 40 on ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

Consolidation of entities in which the Group holds only 50% or less than majority of voting rights
The Group considers that it controls the following entities even though it owns 50% or less than majority of the voting rights.

CHI
The Group is the single largest shareholder of CHI with 49.8% equity interest. The remaining 50.2% of the equity shares in CHI are widely held by the public. On the basis of the absolute size of its holding and the relative size of the other shareholdings, the Group concluded that it has a sufficiently dominant voting interest to meet the power criterion.

NTDCC
The Group is the single largest shareholder of NTDCC with a 49.3% equity interest. The remaining 50.7% of the equity shares in NTDCC are held by five other shareholders. All the other shareholders need to act collectively for control. There is no history of other shareholders voting jointly.

ACC
For ACC, the Group holds 50% of the voting rights, and is also the single largest shareholder and the remaining 50% of the equity shares are held by several shareholders. The second largest stockholder of ACC holds 8.3% share while the other shareholders' equity interest ranges from 2.1% to 8.3%. In addition, the Group has an existing management services agreement which gives the Group the exclusive control and decision over the relevant activities of ACC.

BG Entities (BG West, BG South and BG North)
For the BG entities, wherein the Group and the other shareholder each own 50% of the voting rights, the Group controls the investee through exercise of its exclusive project development and marketing agreement as well as the ability to decide on the financing, operating and strategic policies of the investees. This enabled the Group to conclude that it has control.

Significant influence on investees even if the Group holds less than 20% of voting rights
The Group considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies (see Note 12).

Collectibility of the sales price
In determining whether the sales prices are collectible, the Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

Impairment of AFS equity investments
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (see Note 10).

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense of these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's consolidated financial statements (see Note 34).

<u>Management's Use of Estimates</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate and construction contracts recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. See Notes 21 and 22 for the related balances.

Estimating allowance for impairment losses
The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expenses for any period would differ depending on the judgments and estimates made for the year. See Note 7 for the related balances.

Evaluation of net realizable value of real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories 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 inventories 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. See Note 8 for the related balances.

Evaluation of asset impairment
The Group reviews its land and improvements, investments in associates and joint ventures, investment properties, property and equipment and other noncurrent assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect land and improvements, investments in associates and joint ventures, investment properties, property and equipment, and other noncurrent assets. See Notes 11, 12, 13, 14 and 15 for the related balances.

Estimating useful lives of investment properties, property, plant and equipment, and intangible assets
The Group estimates the useful lives of its investment properties, property and equipment and intangible assets with finite useful lives based on the period over which these assets are expected to be available for use. The estimated useful lives of investment properties, property and equipment and intangible assets are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could materially be affected by changes in estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives would increase depreciation and amortization expense and decrease noncurrent assets. See Notes 13, 14 and 15 for the related balances.

Determining the fair value of investment properties
The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group engaged independent valuation specialist to assess fair value as at December 31, 2013, 2012 and January 1, 2012. The Group's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These were valued by reference to market based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets 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 assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income. See Note 23 for the related balances.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Group. See Note 28 for the related balances.

Estimating pension liabilities and other retirement benefits
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. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 26 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on 1994 Group Annuity Mortality Table and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions could materially affect retirement obligations. See Note 26 for the related balances.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at their fair values by using the discounted cash flow methodology. See Note 29 for the related balances.

4. Cash and Cash Equivalents

This account consists of:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Cash on hand	**₱48,292**	₱51,610	₱102,764
Cash in banks	**11,738,629**	14,103,715	5,626,977
Cash equivalents	**16,179,217**	17,966,760	21,555,935
	₱27,966,138	₱32,122,085	₱27,285,676

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term rates.

The range of annual interest rates of the cash equivalents follow:

	2013	2012	2011
Philippine Peso	**0.2% to 1.5%**	0.4% to 3.9%	1.3% to 4.9%
US Dollar	**0.4% to 1.6%**	0.1% to 2.0%	0.3% to 2.0%

5. Short-term Investments

Short-term investments consist of money market placements made for varying periods of more than three (3) months and up to one (1) year and earn interest at the respective short-term investment rates.

The range of annual interest rates of the short-term investments follows:

	2013	2012	2011
Philippine Peso	**1.1%**	2.2%	–
US Dollar	**1.6%**	1.3% to 2.1%	1.9% to 2.0%

6. Financial Assets at FVPL

This account consists of:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Investment in Unit Investment Trust Fund (UITF)	**₱12,794,654**	₱–	₱–
Investment in ARCH Capital Fund (Note 12)	**608,843**	713,716	–
	₱13,403,497	₱713,716	₱–

The Group invested in the BPI Short Term Fund (the Fund) in July 2013. The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments. It has no minimum holding period and the Bangko Sentral ng Pilipinas (BSP) Special Deposit Account accounted for close to 70% of the Fund. As of December 31, 2013, the total Net Asset Value (NAV) of the Fund is ₱56,199.0 million with duration of 15 days. The fair value of the Group's total investment in the Fund amounted to ₱12,794.7 million.

Investment in ARCH Capital Fund was previously classified as an investment in associate accounted under equity method by virtue of the Company's interest in the general partner (See Note 12). When the exchange between the Company, AC and The Rohatyn Group (TRG) was consummated, the Company and AC gave up their interest in the general partner resulting to only 8% stake in the ARCH Capital Fund. The investment in ARCH Capital Fund is no longer an equity investment but a monetary interest in the fund. Management takes the view that these are held for trading and it is a portfolio of identified property funds invested and managed by professional managers.

The following table provides the fair value hierarchy of the Group's financial assets at FVPL which are measured at fair value as of December 31, 2013:

			Fair value measurement using		
	Date of Valuation	**Total**	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
				(In Thousands)	
Investment in Unit Investment Trust Fund (UITF)	**December 31, 2013**	**₱12,794,654**	₱–	₱12,794,654	₱–
Investment in ARCH Capital Fund	**September 30, 2013**	**608,843**	–	–	608,843

The fair value of the investment in UITF is determined by using the valuation techniques. These valuation techniques maximize the use of observable market data where it is available such as quoted market prices or dealer quotes for similar instruments.

The fair value of the investment in ARCH Capital Fund is determined using the discounted cash flow (DCF) method. Under the DCF method in fund fair valuation, it is estimated using assumptions regarding the benefits and liabilities of ownership over the underlying asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream, associated with the underlying asset. The exit yield is normally separately determined and differs from the discount rate. Significant inputs considered were rental rates, growth and discount rates. The higher the rental and growth rates, the higher the fair value. The higher the discount rates, the lower the fair value.

Reconciliation of fair value measurement in 2013 of Investment in Arch Fund:

Balance at beginning of the year	₱713,716
Redemptions	(348,941)
Additions	1,380
Unrealized gains included under "interest and investment income"	242,688
Balance at end of the year	₱608,843

7. Accounts and Notes Receivable

This account consists of:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Trade:			
Residential development	**₱33,360,247**	₱24,718,906	₱14,902,781
Shopping centers	**1,973,436**	1,701,350	1,375,641
Construction contracts	**1,832,497**	1,380,079	1,877,480
Corporate business	**1,233,568**	1,392,757	604,998
Management fees	**159,860**	90,908	50,482
Others	**148,674**	1,531,940	741,885
Advances to other companies	**8,694,121**	6,788,406	3,265,125
Advances to contractors and suppliers	**7,914,819**	6,462,012	4,071,226
Accrued receivable	**2,460,348**	2,666,151	2,003,265
Receivables from related parties (Note 25)	**1,844,697**	1,398,429	1,576,870
Investment in bonds classified as loans and receivables	**1,000,000**	1,000,000	200,000
Receivables from employees	**230,138**	451,340	451,323
	60,852,405	49,582,278	31,121,076
Less allowance for impairment losses	**494,936**	380,200	383,328
	60,357,469	49,202,078	30,737,748
Less noncurrent portion	**17,648,365**	15,406,987	8,539,341
	₱42,709,104	₱33,795,091	₱22,198,407

The classes of trade receivables of the Group are as follows:

- Residential development - pertain to receivables from the sale of high-end, upper middle-income and affordable residential lots and units; economic and socialized housing units and sale of commercial lots; and leisure community developments
- Shopping centers - pertain to lease receivables from retail spaces
- Construction contracts - pertain to receivables from third party construction projects

- Corporate business - pertain to lease receivables from office and factory buildings; and receivables from the sale of office buildings and industrial lots
- Management fees - pertain to receivables from facilities management services
- Others - pertains to receivables from hotel operations and other support services

Sales contracts receivable, included under residential development, are collectible in monthly installments over a period of one (1) to ten (10) years and bear annual interest rates ranging from 2.15% to 18.00% computed on the diminishing balance of the principal. Titles to real estate properties are not transferred to the buyers until full payment has been made.

Receivables from shopping centers, construction contracts and management fees are due within 30 days upon billing.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

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

Advances to other companies pertain to advances to third party joint venture partners. These are non-interest bearing and are due and demandable.

Accrued receivables and receivables from related parties are due and demandable. Receivables from employees pertain to housing, car, salary and other loans granted to the Group's employees which are collectible through salary deduction, are interest-bearing and payable on various maturity dates.

Investment in bonds classified as loans and receivables pertain to the Group's investments in various notes and bonds as follows:

- ₱200 million investment in 7.25% unsecured subordinated notes of Land Bank of the Philippines (LBP) due 2019, callable with step-up interest in 2014.
- ₱100 million investment in 5.88% unsecured subordinated notes of Land Bank of the Philippines due 2022, callable in 2017.
- ₱200 million investment in 5.75% unsecured subordinated notes of Development Bank of the Philippines due 2022, callable in 2017.
- ₱500 million investment in 5.75% collateralized bonds of First Metro Investment Corp. due 2019, callable in 2017.

Receivables amounting to ₱494.9 million, ₱380.2 million and ₱383.3 million as of December 31, 2013 and 2012 and January 1, 2012, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses follow:

2013

	Trade						Advances	
	Residential Development	Shopping Centers	Construction Contracts	Corporate business	Management Fees	Others	to Other Companies	Total
				(In Thousands)				
Balance at beginning of year	₱23,110	₱216,008	₱18,781	₱–	₱3,215	₱57,117	₱61,969	₱380,200
Provisions during the period (Note 22)	–	50,436	7,765	2,383	–	147	111,947	172,678
Translation adjustment	–	–	–	–	–	565	–	565
Reversal (Note 22)	–	(1,170)	–	–	–	(88)	–	(1,258)
Accounts written off	–	(51,036)	–	–	(557)	–	(5,656)	(57,249)
Balance at end of year	₱23,110	₱214,238	₱26,546	₱2,383	₱2,658	₱57,741	₱168,260	₱494,936
Individually impaired	₱9,555	₱141,966	₱26,546	₱–	₱2,048	₱47,747	₱166,678	₱394,540
Collectively impaired	13,555	72,272	–	2,383	610	9,994	1,582	100,396
Total	₱23,110	₱214,238	₱26,546	₱2,383	₱2,658	₱57,741	₱168,260	₱494,936
Gross amounts of receivables individually determined to be impaired	₱9,555	₱141,966	₱26,546	₱–	₱2,048	₱47,747	₱166,678	₱394,540

2012

	Trade						Advances	
	Residential Development	Shopping Centers	Construction Contracts	Corporate business	Management Fees	Others	to Other Companies	Total
				(In Thousands)				
Balance at beginning of year	₱23,110	₱229,078	₱5,927	₱–	₱3,215	₱59,303	₱62,695	₱383,328
Provisions during the period (Note 22)	–	39,743	12,854	–	–	24	–	52,621
Translation adjustment	–	–	–	–	–	(471)	–	(471)
Reversal (Note 22)	–	–	–	–	–	(1,739)	–	(1,739)
Accounts written off	–	(52,813)	–	–	–	–	(726)	(53,539)
Balance at end of year	₱23,110	₱216,008	₱18,781	₱–	₱3,215	₱57,117	₱61,969	₱380,200
Individually impaired	₱9,555	₱176,004	₱18,781	₱–	₱2,048	₱56,521	₱61,969	₱324,878
Collectively impaired	13,555	40,004	–	–	1,167	596	–	55,322
Total	₱23,110	₱216,008	₱18,781	₱–	₱3,215	₱57,117	₱61,969	₱380,200
Gross amounts of receivables individually determined to be impaired	₱9,555	₱176,004	₱18,781	₱–	₱2,048	₱56,521	₱61,969	₱324,878

2011

	Trade						Advances	
	Residential Development	Shopping Centers	Construction Contracts	Corporate business	Management Fees	Others	to Other Companies	Total
				(In Thousands)				
Balance at beginning of year	₱17,122	₱210,053	₱5,927	₱–	₱4,384	₱63,902	₱18,340	₱319,728
Provisions during the period (Note 22)	5,988	21,761	–	–	–	63	44,355	72,167
Reversal (Note 22)	–	–	–	–	–	(4,219)	–	(4,219)
Accounts written off	–	(2,736)	–	–	₱ (1,169)	(443)	–	(4,348)
Balance at end of year	₱23,110	₱229,078	₱5,927	₱–	₱3,215	₱59,303	₱62,695	₱383,328
Individually impaired	₱9,555	₱196,004	₱5,927	₱–	₱3,215	₱59,303	₱51,375	₱325,379
Collectively impaired	13,555	33,074	–	–	–	–	11,320	57,949
Total	₱23,110	₱229,078	₱5,927	₱–	₱3,215	₱59,303	₱62,695	₱383,328
Gross amounts of receivables individually determined to be impaired	₱9,555	₱196,004	₱5,927	₱–	₱3,215	₱59,303	₱51,375	₱325,379

As of December 31, 2013 and 2012 and January 1, 2012, nominal amounts of trade receivables from residential development, advances to other companies and receivables from employees totaling ₱46,672.4 million, ₱34,483.7 million and ₱21,381.4 million, respectively, were recorded initially at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Group's receivables as of December 31, 2013 and 2012 and January 1, 2012, follow:

	2013	2012	2011
		(In Thousands)	
Balance at beginning of the year	**₱2,524,764**	₱2,763,006	₱1,289,479
Additions during the year	**3,575,225**	1,549,954	2,397,937
Accretion for the year	**(1,712,182)**	(1,341,167)	(924,410)
Acceleration of accretion pertaining to sold receivables	**–**	(447,029)	–
Balance at end of the year	**₱4,387,807**	₱2,524,764	₱2,763,006

In 2012, the Group sold real estate receivables on a without recourse basis to BPI Family Bank, a related party and RCBC Savings amounting to ₱2,957.8 million and ₱1,345.3 million respectively. These were sold for a total average discount rate of 5.99% or ₱2,576.9 million to BPI Family Bank (see Note 25) and ₱1,228.2 million to RCBC Savings. The total discounting cost on these receivables amounted to ₱498.0 million was recognized under "Interest and other financing charges" in the consolidated statement of income (see Note 22).

In 2011, the Group sold real estate receivables on a without recourse basis to BPI Family Bank amounting to ₱322.8 million at an average discount rate of 6.27% (see Note 25). The discount on these receivables amounting to ₱37.3 million has been included under "Interest and other financing charges" in the consolidated statement of income (see Note 22).

Also during 2011, the Group entered in an agreement with BPI for the sale of interest bearing loans receivables from employees without recourse amounting to ₱306.0 million with 12% interest rate which did not result to any gain or loss (see Note 25).

8. Inventories

This account consists of:

	December 31		January 1,
	2013	2012	2012
	(In Thousands)		
Real estate:			
Residential and commercial lots:			
At cost	**₱15,168,857**	₱7,628,334	₱8,753,043
At NRV	**936,183**	936,183	936,183
	16,105,040	8,564,517	9,689,226
Residential and commercial units - at cost	**25,781,131**	17,011,512	11,432,465
Club shares - at cost	**1,686,074**	1,746,717	1,812,987
	₱43,572,245	₱27,322,746	₱22,934,678

A summary of the movement in inventories is set out below:

2013

	Residential and commercial lots	**Residential and commercial units**	**Club shares**	**Total**
	(In Thousands)			
Opening balances at January 1	**₱8,564,517**	**₱17,011,512**	**₱1,746,717**	**₱27,322,746**
Land cost transferred from land and improvements (Notes 11 and 35)	**7,454,628**	**7,271,578**	**–**	**14,726,206**
Construction/development costs incurred	**10,061,005**	**20,410,068**	**–**	**30,471,073**
Disposals (recognized as cost of real estate sales) (Note 22)	**(9,947,349)**	**(18,957,137)**	**(60,643)**	**(28,965,129)**
Transfers from (to) investment properties	**(26,138)**	**45,110**	**–**	**18,972**
Other adjustments/reclassifications	**(1,623)**	**–**	**–**	**(1,623)**
	₱16,105,040	**₱25,781,131**	**₱1,686,074**	**₱43,572,245**

2012

	Residential and commercial lots	Residential and commercial units	Club shares	Total
	(In Thousands)			
Opening balances at January 1	₱9,689,226	₱11,432,465	₱1,812,987	₱22,934,678
Land acquired during the year	228,291	176,519	–	404,810
Land cost transferred from land and improvements (Notes 11 and 35)	1,194,843	–	–	1,194,843
Construction/development costs incurred	3,675,311	19,092,007	37	22,767,355
Disposals (recognized as cost of real estate sales) (Note 22)	(5,585,034)	(14,483,191)	(66,307)	(20,134,532)
Transfers from investment properties (Notes 13 and 35)	76,726	25,252	–	101,978
Other adjustments/reclassifications	(714,846)	768,460	–	53,614
	₱8,564,517	₱17,011,512	₱1,746,717	₱27,322,746

2011

	Residential and commercial lots	Residential and commercial units	Club shares	Total
		(In Thousands)		
Opening balances at January 1	₱7,218,873	₱5,442,959	₱1,896,226	₱14,558,058
Land acquired during the year	164,568	–	–	164,568
Land cost transferred from land and improvements (Notes 11 and 35)	919,221	445,261	–	1,364,482
Construction/development costs incurred	5,289,050	15,580,034	–	20,869,084
Disposals (recognized as cost of real estate sales) (Note 22)	(3,856,276)	(10,210,209)	(83,239)	(14,149,724)
Write-down of inventories/reversal of write-down	(87,081)	–	–	(87,081)
Transfers to investment properties (Notes 13 and 35)	(55,366)	–	–	(55,366)
Other adjustments/reclassifications	96,237	174,420	–	270,657
	₱9,689,226	₱11,432,465	₱1,812,987	₱22,934,678

The cost of the inventories carried at NRV amounted to ₱2,524.0 million as of December 31, 2013 and 2012 and January 1, 2012. The Group recorded no provision for impairment in 2013, 2012 and 2011.

9. Other Current Assets

This account consists of:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Prepaid expenses	**₱7,421,270**	₱5,659,497	₱2,353,032
Deposits in escrow	**6,743,298**	4,834,788	147,529
Value-added input tax – net	**3,165,313**	4,910,012	1,747,419
Creditable withholding tax	**1,095,877**	1,236,926	2,450,090
Materials, parts and supplies – at cost	**430,014**	173,285	97,723
Advances to suppliers	**23,546**	88,404	98,251
Others	**439,927**	182,301	275,388
	₱19,319,245	₱17,085,213	₱7,169,432

Prepaid expenses mainly include prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

Value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods.

Deposits in escrow pertain to the proceeds from the sales generated from new projects without the permanent License To Sell (LTS) but are provided with a temporary LTS by the Housing and Land Use Regulatory Board (HLURB). For projects with temporary LTS, all payments, inclusive of down payments, reservation, and monthly amortization, among others, made by the buyer within the selling period shall be deposited in an escrow account.

On August 15, 2012, deposits in escrow account also include cash deposit of Summerhill E-Office, Inc., the Company's subsidiary (Buyer) amounting to ₱1,175.2 million with an Escrow Agent in relation to the Buyer's purchase of parcels of land from a third party (seller) with an aggregate area of approximately 47,952 square meters located in Pasig City. The amount and document will be released only upon presentation of the Certificate Authorizing Registration duly issued by the Bureau of Internal Revenue authorizing the transfer of the parcels of land from the Seller to the Buyer. The amount will be net of capital gains tax on the sale but will include accrued interests in the escrow account. The escrow account was released to the land owner on October 30, 2013.

Creditable withholding taxes are applied against income tax payable.

10. **Available-for-Sale Financial Assets**

This account consists of investments in:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Shares of stock:			
Unquoted	**₱261,115**	₱261,115	₱253,800
Quoted	**24,394**	150,906	164,744
Treasury bonds	–	–	218,912
	285,509	412,021	637,456
Net unrealized gain	**50,752**	60,894	67,999
	₱336,261	₱472,915	₱705,455

Investments in unquoted shares of stock include unlisted shares of public utility companies which the Group will continue to carry as part of the infrastructure that it provides to its real estate projects. These are carried at cost less impairment, if any.

The Group sold ₱224.2 million worth of treasury bonds in 2012 and recognized a gain on disposals amounting to ₱7.3 million which was included under "Other income" in the consolidated statements of income (see Note 22).

In 2012, the Group recorded provision for impairment losses on investments in unquoted shares amounting to ₱16.8 million which was included under "Other charges" in the consolidated statements of income (see Note 22).

In 2008, the Group purchased 200,000 preferred shares from AC amounting to ₱100.0 million at a purchase price of ₱500 per share (included under quoted shares of stock). On November 25, 2013, AC exercised its option to redeem the preferred shares at issue price plus accrued dividends.

Movements in the net unrealized gain on AFS financial assets follow:

	2013	2012	2011
		(In Thousands)	
Balance at beginning of year	**₱60,894**	₱67,999	₱52,535
Fair value changes during the year	**(7,141)**	4,281	15,464
Fair value gain transferred to income	**(3,001)**	(11,386)	–
Balance at end of year	**₱50,752**	₱60,894	₱67,999

The following table provides the fair value hierarchy of the Group's available-for-sale financial assets which are measured at fair value as of December 31, 2013:

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:			(In Thousands)		
Quoted					
Tourism and leisure	**December 31, 2013**	**₱75,146**	₱75,146	₱–	₱–
Unquoted					
Tourism and leisure	**Various**	**215,785**	–	–	215,785
Utilities and energy	**Various**	**33,180**	–	–	33,180
Financial asset management	**Various**	**10,729**	–	–	10,729
Real estate	**Various**	**1,159**	–	–	1,159
Telecommunication	**Various**	**262**	–	–	262

11. **Land and Improvements**

The rollforward analysis of this account follows:

	2013	2012	2011
		(In Thousands)	
Cost			
Balance at beginning of year	**₱49,325,569**	₱19,246,705	₱16,561,902
Additions	**30,097,431**	31,273,707	4,049,285
Transfers (Note 8 and 13)	**(16,190,155)**	(1,194,843)	(1,364,482)
Balance at end of year	**63,232,845**	49,325,569	19,246,705
Allowance for Impairment losses			
Balance at beginning and end of year	**510,125**	510,125	510,125
	₱62,722,720	₱48,815,444	₱18,736,580

In 2012, the Group won the public bidding at an amount of ₱24,313.0 million for the purchase of the 74-hectare Food Terminal, Inc. (FTI) property in Taguig City. The bid was conducted in accordance with the Asset Specific Bidding Rules dated July 4, 2012 and in accordance with the provisions of Executive Order No. 323.

In October 2012, the Company entered into a Purchase Agreement wherein FTI (the Seller) agrees to sell, convey, assign and transfer and deliver to the Company, all of the Seller's rights and interests in the FTI property. The property is designed to be a mixed-use development.

On August 27, 2009, the Company and the National Housing Authority (NHA) signed a Joint Venture Agreement to develop the 29.1-hectare North Triangle Property in Quezon City as a priming project of the government and the private sector. The joint venture represents the conclusion of a public bidding process conducted by the NHA which began on October 3, 2008.

The Company's proposal, which has been approved and declared by the NHA as compliant with the Terms of Reference of the public bidding and the National Economic Development Authority (NEDA) Joint Venture Guidelines, features the development of a new Central Business District (CBD) in Quezon City. The CBD will be developed as the Philippines' first transit-oriented, mixed-use central business district that will be a new nexus of commercial activity. The proposal also aims to benefit the NHA in achieving its mandate of providing housing for informal settlers and transforming a non-performing asset into a model for urban renewal. The development is expected to generate jobs and revenue both for the local and national governments.

The Company's vision for the property is consistent with the mandate of the Urban Triangle Development (TriDev) Commission to rationalize and speed up the development of the East and North Triangles of Quezon City into well-planned, integrated and environmentally balanced, mixed-use communities. The joint venture also conforms with the NHA's vision of a private sector-led and managed model for the development of the property, similar to the development experience in Fort Bonifacio.

The total project cost is estimated at ₱22.0 billion, inclusive of future development costs and the current value of the property, which the Company and the NHA will contribute as their respective equity share in the joint venture. The development of Phase 1 commenced in the second quarter of 2012.

12. **Investments in Associates and Joint Ventures**

This account consists of:

	December 31		January 1,
	2013	2012	2012
	(In Thousands)		
Acquisition cost	**₱4,620,860**	₱3,493,878	₱3,830,150
Accumulated equity in net earnings:			
Balance at beginning of year	**4,384,604**	4,178,108	3,789,144
Equity in net earnings during the year	**549,741**	535,911	388,964
Reclassification to FVPL	**–**	(294,784)	–
Dividends received during the year	**(236,431)**	(34,631)	–
Balance at end of year	**4,697,914**	4,384,604	4,178,108
	₱9,318,774	₱7,878,482	₱8,008,258

The acquisition cost of the investment in associate reclassified in 2012 to FVPL amounted to ₱384.3 million.

The Group's equity in the net assets of associates and joint ventures and the related percentages of ownership are shown below.

	Percentages of Ownership			Carrying Amounts		
	December 31		January 1,	December 31		January 1,
	2013	2012	2012	**2013**	2012	2012
					(In Thousands)	
Joint ventures:						
Emerging City Holdings, Inc. (ECHI)	**50%**	50%	50%	**₱4,178,074**	₱3,988,441	₱3,706,584
Berkshires Holdings, Inc. (BHI)	**50**	50	50	**1,854,075**	1,709,308	1,588,512
SIAL CVS Retailers, Inc.(SIAL CVS)	**50**	50	–	**208,836**	53,611	–
SIAL Specialty Retailers, Inc. (SIAL Specialty)	**50**	50	–	**161,611**	84,289	–
AyaGold Retailers, Inc. (AyaGold)	**50**	–	–	**60,000**	–	–
				6,462,596	5,835,649	5,295,096
Associates:						
Bonifacio Land Corp. (BLC)	**10**	10	10	**1,394,561**	1,286,445	1,168,396
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	**49**	–	–	**500,950**	–	–
Tianjin Eco-City Ayala Land Development Co., Ltd. (Tianjin Eco-City)	**40**	40	40	**542,558**	693,759	729,374
Lagoon Development Corporation (LDC)	**30**	30	30	**55,047**	55,730	58,301
ALI Makati Hotels & Residences, Inc. (formerly KHI-ALI Manila, Inc.) (Note 24) (AMHRI)	–	–	20	**–**	–	12,375
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) (Note 24) (AMHPI)	–	–	20	**–**	–	572
ARCH Capital Asian Partners L.P. (ARCH Capital Fund)	–	–	8	**–**	–	739,105
Mercado General Hospital, Inc. (MGHI)	**33**	–	–	**359,523**	–	–
Others	**various**	various	various	**3,539**	6,899	5,039
				2,856,178	2,042,833	2,713,162
				₱9,318,774	₱7,878,482	₱8,008,258

As of December 31, 2013 and 2012 and January 1, 2012, the Group had total commitments relating to the Group's interests in the joint ventures amounting to ₱568.3 million, ₱398.2 million and ₱826.7 million, respectively.

The Company considers a subsidiary as a subsidiary with material NCI, an associate and a joint venture with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period. There are no significant restrictions on the Company's ability to use assets and settle liabilities of the Group.

Financial Information of the associate with material interest

BLC

The Group has a 10% interest in BLC, which is involved in the purchase, subscription or otherwise disposal of real and personal properties. BLC is a private company incorporated on October 20, 1994 and there is no quoted market price available for its shares.

Set out below is the summarized financial information for BLC:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Current assets	**₱23,612,217**	₱8,706,725	₱12,494,845
Non-current assets	**21,013,477**	23,289,999	23,031,456
Current liabilities	**4,895,150**	2,587,605	2,019,519
Non-current liabilities	**3,693,719**	5,224,859	5,519,109
Equity	**36,036,825**	24,184,260	27,987,673
Proportion of Group's ownership	**10%**	10%	10%
Carrying amount of the investment	**1,394,561**	1,286,445	1,168,396

Net assets attributable to the equity holders of BLC amounted to ₱18,351.2 million, ₱17,525.7 million and ₱17,680.8 million as of December 31, 2013, 2012 and January 1, 2012, respectively.

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Revenue	**₱8,067,041**	₱7,154,345	₱4,064,943
Cost and expenses	**(5,511,372)**	(6,353,297)	(2,893,927)
Net income (continuing operations)	**2,555,669**	801,048	1,171,016
Group's share of net income for the year	**255,567**	80,105	117,102

Aggregate financial information on associates with immaterial interest (Rize-Ayalaland,Tianjin Eco-City, LDC and MGHI) is as follows:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Carrying amount	**₱1,458,078**	₱749,489	₱787,675
Share in loss from continuing operations	**(49,655)**	(31,667)	(43,108)
Share in total comprehensive loss	**(49,655)**	(31,667)	(43,108)

Aggregate financial information on joint ventures with immaterial interest (ECHI, BHI, SIAL CVS, SIAL Specialty and AyaGold) is as follows:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Carrying amount	**₱6,378,610**	₱5,800,874	₱5,260,321
Share in income from continuing operations	**465,237**	467,731	306,821
Share in total comprehensive income	**465,237**	467,731	306,821

The following are the significant transactions affecting the Group's investments in associates and joint ventures:

Investments in ECHI, BHI and BLC
The Company's 5.32% direct investment in BLC and 4.78% through Regent Time are accounted for using the equity method because the Company has significant influence over BLC.

On April 17, 2003, the following transactions were consummated pursuant to the terms and conditions of the Assignment Agreement (Agreement), dated February 8, 2003, among the Company, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among the Company, EHI and Metro Pacific Investment Corporation (MPIC) as amended:

(a) The assignment to the Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPIC, pursuant to which, Larouge extended MPIC a loan in the principal amount of US$90.0 million, together with all the rights, title and interests of Larouge in the pledge constituted on 50.38% of the outstanding shares in BLC. The consideration paid by the Company and EHI for such assignment was approximately US$90 million, subject in part to foreign exchange adjustment.
(b) The assignment to the Company and EHI acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus) of the controlling interest in BLC represented 50.38% of BLC's outstanding capital stock. This assignment was effected by MPIC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.55% of its outstanding capital stock.

The Agreement, as amended, also provides for the constitution of a pledge over 5% of BLC's unencumbered shares as security for contingent liabilities and breach of representation and warranties. The pledge lien over the 5% BLC shares shall continue to subsist until the third anniversary of the closing date.

The Company and EHI jointly hold the 50.38% equity interest in BLC through ECHI and BHI. The Company and EHI assigned the notes receivable from MPIC to ECHI and BHI, which acquired the shares of stock of Columbus. Columbus directly owns the 50.38% interest in BLC. BLC owns 55% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development.

Columbus accounted for the acquisition of the 50.38% interest in BLC using the purchase method, resulting in a negative goodwill of ₱1.4 billion.

Subsequent to this, the Company and EHI acquired additional shares of BLC through a combination of direct acquisition and through its associates at varying dates:

On July 31, 2008, the Group acquired, through the Company, Regent Time and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to ₱689.0 million, equivalent to 7.66% ownership in BLC. In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPIC, pertaining to the pledged shares, through Columbus amounting to ₱362.6 million. This resulted in an increase in the Group's effective interest in BLC to 45.05% as of December 31, 2009.

In 2011, BLC redeemed its 3,485,050 preferred shares with an aggregate redemption price of ₱500.0 million.

Investment in ARCH Capital Fund
In 2006, the Company and AC entered into a Shareholders' Agreement with ARCH Capital and Great ARCH Co. Limited, wherein the Company and AC committed to invest a total of US$75.0 million in a private equity fund that will explore property markets in Asia, excluding Japan and the Philippines. On the same year, an Amendment and Adherence Agreement was entered into by the same parties, together with Fine State Group Limited (Fine State) and Green Horizons Holdings Limited (Green Horizons), a wholly-owned subsidiary of First Longfield, transferring the interests of AC and the Company in ARCH

Capital into Fine State and Green Horizons, respectively. Fine State and First Longfield are 100% owned Hong Kong subsidiaries of AC and the Company, respectively.

The Company (through Green Horizons) and AC (through Fine State) both have interests in the fund management company, ARCH Capital, which is tasked to raise third party capital and pursue investments for the Fund. The Company (through Green Horizon) and AC (through Fine State) owned interest of 7.58% and 15.15%, respectively in ARCH Capital.

In 2007, the private equity fund, called ARCH Capital Asian Partners, L.P. (Fund) was established. As at December 31, 2007, the Fund achieved its final closing, resulting in a total investor commitment of US$330.0 million. As a result, portion of the funds disbursed by the Company and AC and invested into the Fund have been returned in 2007, reducing the Company's overall capital invested to ₱214.5 million as of December 31, 2007. In 2009, 2010 and 2011, the Fund made a capital call where the Company's share amounted to $2.1 million, and $9.1 million and $2.2 million, respectively.

As of December 31, 2013, 2012 and January 1, 2012, the Company's remaining capital commitment with the Fund amounted to nil, US$4.5 million and US$4.6 million, respectively.

On March 7, 2011, the Company, AC and TRG completed an exchange of ownership interests in Arch Capital and ARCH Capital Asian Partners G.P. (a Cayman Islands company), with proceeds and carrying value of the investments as of the date of exchange amounting to US$3.8 million and US$0.4 million, respectively, resulted to a gain of US$2.9 million, net of transaction costs, lodged in "Interest and investment income" account. The exchange in ownership interest resulted in TRG acquiring the Company's 17% stake and AC's 33% interest. The completed exchange of ownership interests did not change the activities, management, focus, and shareholder structure of the ARCH Fund, with the Company retaining its current 8% interest in the fund.

In 2012, the Company's investment over the Fund was reclassified from associate to FVPL. The Company lost significant influence over the Fund since its investments pertain to monetary interest and no longer equity interest.

Investment in AMHRI
In December 2007, the Company entered into a joint venture with Kingdom Hotel Investments, Inc. (KHI) to develop a 7,377-square meter property along Makati Avenue corner Arnaiz Avenue (formerly Pasay Road) into a luxury hotel complex comprised of a 300-room Fairmont Hotel, a 30-suite Raffles Hotel and 189 Raffles branded private residences. The total project cost will be approximately US$153.0 million.

The 7,377-square meter property to be developed was conveyed by the Company to AMHRI in exchange for 37,250 common shares, 38,250 redeemable preferred shares A and 16,758 preferred shares.

In 2012, the Group obtained control over AMHRI and AMHPI through step acquisition as discussed in Note 24.

Investment in SIAL Specialty
SIAL Specialty was incorporated on September 27, 2012 as a joint venture between Varejo and Store Specialist, Inc. (SII), wholly-owned subsidiaries of the Company and SSI, respectively. SSI is one of the largest specialty retail companies in the Philippines with the exclusive distribution rights to a variety of brands from around the world.

The partnership, which combines the Company's expertise in developing mixed-use developments and SSI's proven track record in retail, is aimed at pursuing retail solutions to address the growing and changing lifestyle needs of the market.

SIAL Specialty was organized primarily for the investment and operation of mid-market department stores and to pursue other investment opportunities in the Philippine retail sector.

Investment in SIAL CVS
SIAL CVS is an equally-owned joint venture between Varejo, the Company's wholly-owned subsidiary and SII, SSI's wholly-owned subsidiary.

SIAL CVS shall be the vehicle for the investment in the operation of convenience stores in the Philippines. SIAL CVS capitalizes on the Company's expertise in mixed-use developments and SSI's experience in the Philippine retail market. The Parties agreed to incorporate a special purpose vehicle that shall form a partnership with FamilyMart Co. Ltd. and Itochu Corporation for the operation of FamilyMart convenience stores in the Philippines.

Investment in AyaGold Retailers, Inc.
AyaGold Retailers, Inc., a joint venture between Entenso Equities Incorporated (EEI, a wholly-owned subsidiary of Puregold Price Club, Inc.) and Varejo Corp. (a wholly-owned subsidiary of the Company and the holding company for its retail-related initiatives), was incorporated in October 2, 2013. It is organized primarily to finance, build and operate mid-market supermarkets for some of Company's new integrated and mixed-use developments. The mid-market supermarkets will be carried under a new brand to be jointly developed by both Varejo and EEI. The partnership with EEI will enable the Company to support its mixed-use developments and, at the same time, grow its recurring income portfolio.

Investment in MGHI
In July 2013, Ayala Land, Inc. entered into an agreement with the Mercado Family to acquire Whiteknight Holdings, Inc. (WHI), a 33% equity stockholder of MGHI. Its acquisition of WHI will allow Ayala Land, Inc. to build a strategic partnership with the Mercado Group and support MGHI's future growth. This partnership also enhances the potential of Ayala Land's development of mixed-use communities by offering the critical component of medical services to complement the residential, shopping centers, office and hotel developments therein.

Investment in Rize-Ayalaland
Rize-Ayalaland (Kingsway) GP, Inc. was incorporated on January 25, 2013 under the laws of British Columbia, Canada. The Company's effective ownership is 49% through its Vancouver-based subsidiary, AyalaLand Real Estate Investments Inc.

In addition to PFRS 12 disclosure requirements, the financial Information on the Company's significant subsidiary with material NCI follows:

Cebu Holdings, Inc. and Subsidiaries
CHI, a publicly listed company, was incorporated in the Republic of the Philippines. It is engaged in real estate development, sale of subdivided land, residential and office condominium units, sports club shares, and lease of commercial spaces. The registered office address of the Parent Company is at 7th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City, Philippines.

	2013	2012	2011
Proportion of equity interests held by non-controlling interests	**49.8%**	47.3%	47.3%
Accumulated balances of material non-controlling interests	**₱3,324,225**	₱2,663,804	₱2,546,661
Net income allocated to material non-controlling interest	**278,221**	241,206	247,000
Comprehensive income allocated to material non-controlling interest	**274,446**	234,852	249,602

The summarized financial information of CHI is provided below. This information is based on amounts before inter-company eliminations.

	December 31		January 1,
	2013	2012	2012
	(Amounts in Thousands)		
Statement of financial position			
Current assets	**₱3,678,856**	₱3,908,477	₱2,779,615
Noncurrent assets	**9,271,497**	5,840,586	4,351,698
Current liabilities	**(3,038,425)**	(2,731,681)	(1,148,035)
Noncurrent liabilities	**(3,990,095)**	(1,746,807)	(955,473)
Total equity	**5,921,833**	5,270,575	5,027,805
Attributable to:			
Equity holders of CHI	**5,174,518**	4,942,683	4,704,483
Non-controlling interests	**747,315**	327,892	323,322
Dividends paid to non-controlling interests	**26,794**	26,794	26,794

	For the years ended December 31		
	2013	2012	2011
	(Amounts in Thousands)		
Statement of comprehensive income			
Revenue	**₱2,169,510**	₱1,633,034	₱1,442,701
Cost and expenses	**(1,435,353)**	(990,997)	(822,711)
Income before income tax	**734,157**	642,037	619,990
Provision for income tax	**(204,361)**	(167,033)	(143,117)
Income from operations	**529,796**	475,004	476,873
Other comprehensive income (loss)	**(7,581)**	(13,433)	5,502
Total comprehensive income	**522,215**	461,571	482,375
Attributable to:			
Equity holders of CHI	**493,564**	430,207	441,694
Non-controlling interests	**28,651**	31,364	40,681

	December 31		January 1,
	2013	2012	2012
	(Amounts in Thousands)		
Statement of cash flows			
Operating activities	**(₱218,375)**	₱720,618	(₱101,362)
Investing activities	**(1,869,332)**	(742,281)	(206,235)
Financing activities	**988,841**	671,449	624,475
Net increase (decrease) in cash and cash equivalents	**(1,098,866)**	649,786	316,878

13. Investment Properties

The rollforward analysis of this account follows:

2013

	Land	**Buildings**	**Construction in Progress**	**Total**
		(In Thousands)		
Cost				
Balance at beginning of year	**₱3,374,751**	**₱52,933,651**	**₱6,045,270**	**₱62,353,672**
Additions	**3,229,393**	**2,170,065**	**5,511,620**	**10,911,078**
Disposals	**(45,110)**	**(251,306)**	**(16,249)**	**(312,665)**
Transfers (Note 35)	**1,605,130**	**7,142,251**	**(7,422,504)**	**1,324,877**
Balance at end of year	**8,164,164**	**61,994,661**	**4,118,137**	**74,276,962**
Accumulated Depreciation				
Balance at beginning of year	**–**	**12,801,993**	**–**	**12,801,993**
Depreciation	**–**	**2,472,074**	**–**	**2,472,074**
Disposals	**–**	**(180,884)**	**–**	**(180,884)**
Transfers	**–**	**415**	**–**	**415**
Balance at end of year	**–**	**15,093,598**	**–**	**15,093,598**
Net Book Value	**₱8,164,164**	**₱46,901,063**	**₱4,118,137**	**₱59,183,364**

2012

	Land	Buildings	Construction in Progress	Total
		(In Thousands)		
Cost				
Balance at beginning of year	₱3,454,544	₱44,396,984	₱4,370,735	₱52,222,263
Additions	36,307	3,864,614	6,449,698	10,350,619
Disposals	–	(7,062)	–	(7,062)
Transfers (Note 35)	(116,100)	4,679,115	(4,775,163)	(212,148)
Balance at end of year	3,374,751	52,933,651	6,045,270	62,353,672
Accumulated Depreciation				
Balance at beginning of year	–	11,321,605	–	11,321,605
Depreciation	–	1,466,297	–	1,466,297
Disposals	–	(5,409)	–	(5,409)
Impairment losses (Note 22)	–	19,500	–	19,500
Balance at end of year	–	12,801,993	–	12,801,993
Net Book Value	₱3,374,751	₱40,131,658	₱6,045,270	₱49,551,679

2011

	Land	Buildings	Construction in Progress	Total
		(In Thousands)		
Cost				
Balance at beginning of year	₱2,164,611	₱36,644,229	₱3,326,938	₱42,135,778
Additions	1,323,748	5,044,325	4,042,250	10,410,323
Disposals		(152,660)	(6)	(152,666)
Transfers (Note 35)	(33,815)	2,861,090	(2,998,447)	(171,172)
Balance at end of year	3,454,544	44,396,984	4,370,735	52,222,263
Accumulated Depreciation				
Balance at beginning of year	–	9,363,526	–	9,363,526
Depreciation	–	1,961,923	–	1,961,923
Disposals	–	(3,844)	–	(3,844)
Balance at end of year	–	11,321,605	–	11,321,605
Net Book Value	₱3,454,544	₱33,075,379	₱4,370,735	₱40,900,658

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

On March 5, 2011, the Group, through Alveo, acquired 65% ownership in Solinea, a landholding entity, whose investment properties amounted to ₱417.3 million (see Note 2).

The aggregate fair value of the Group's investment properties amounted to ₱230,553.3 million, ₱225,659.3 million and ₱208,474.6 million as of December 31, 2013 and 2012 and January 1, 2012, respectively.

The fair values of the investment properties were determined by independent professionally qualified appraisers.

The following table provides the fair value hierarchy of the Group's Investment Properties as of December 31, 2013:

			Fair value measurement using		
	Date of Valuation	**Total**	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Land properties	**Various**	**₱147,057,559**	₱–	₱–	₱147,057,559
Retail properties	**Various**	**59,935,570**	–	–	59,935,570
Office properties	**Various**	**23,560,169**	–	–	23,560,169

The values of the land and buildings were arrived at using the Market Data Approach and Cost Approach, respectively. In Sales Comparison Approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. In the Cost Approach, the value of the buildings is determined by the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based on physical wear and tear, and obsolescence plus an estimate of developers' profit margin.

For Sales Comparison approach, the higher the price per sqm., the higher the fair value. For Cost Approach, whose unobservable inputs include estimated costs to complete and estimated profit margin and hold and develop property to completion, the higher these costs and required profit margin, the lower the fair value.

Interest capitalized amounted to ₱113.5 million, ₱189.9 million and ₱144.0 million and in 2013, 2012 and 2011, respectively (see Note 17).

Consolidated rental income from investment properties amounted to ₱13,217.0 million, ₱13,115.5 million and ₱11,498.2 million in 2013, 2012 and 2011, respectively (see Note 21). Consolidated direct operating expenses arising from the investment properties in 2013, 2012 and 2011 amounted to ₱4,054.0 million, ₱3,143.8 million and ₱3,254.6 million, respectively (see Note 22).

Depreciation and amortization expense pertaining to investment properties amounted to ₱2,472.1 million, ₱1,466.3 million and ₱1,961.9 million in 2013, 2012 and 2011, respectively (see Note 22).

14. Property and Equipment

The rollforward analysis of this account follows:

2013

	Land, Buildings and Improvements	**Machinery and Construction Equipment**	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Hotel Property and Equipment**	**Total**
			(In Thousands)			
Cost						
January 1	**₱3,210,093**	**₱4,272,144**	**₱2,475,747**	**₱702,165**	**₱12,379,163**	**₱23,039,312**
Additions	**784,489**	**2,096,433**	**418,660**	**507,146**	**1,316,792**	**5,123,520**
Disposals/Write-offs	**(58,075)**	**(72,990)**	**(30,519)**	**(40,891)**	**(38)**	**(202,513)**
Transfers (Note 35)	**(1,423,378)**	**134,530**	**29,288**	**–**	**–**	**(1,259,560)**
December 31	**2,513,129**	**6,430,117**	**2,893,176**	**1,168,420**	**13,695,917**	**26,700,759**
Accumulated Depreciation and Amortization						
January 1	**851,102**	**2,042,299**	**1,920,272**	**505,750**	**2,367,590**	**7,687,013**
Depreciation and amortization (Note 22)	**125,464**	**509,944**	**281,360**	**120,915**	**381,968**	**1,419,651**
Disposals	**(15,124)**	**(30,952)**	**(17,947)**	**(36,655)**	**(38)**	**(100,716)**
Transfers	**(49)**	**15**	**375**	**–**	**–**	**341**
December 31	**961,393**	**2,521,306**	**2,184,060**	**590,010**	**2,749,520**	**9,006,289**
Net Book Value	**₱1,551,736**	**₱3,908,811**	**₱709,116**	**₱578,410**	**₱10,946,397**	**₱17,694,470**

2012

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In Thousands)			
Cost						
January 1	₱1,614,406	₱2,369,023	₱2,360,634	₱695,375	₱5,126,514	₱12,165,952
Additions	1,600,471	1,838,241	185,642	59,917	1,835,824	5,520,095
Acquisitions through business combination (Note 24)	–	–	–	–	5,421,000	5,421,000
Disposals/Write-offs	(4,610)	(25,015)	(76,855)	(53,127)	(4,175)	(163,782)
Transfers (Note 35)	(174)	89,895	6,326	–	–	96,047
December 31	3,210,093	4,272,144	2,475,747	702,165	12,379,163	23,039,312

(Forward)

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In Thousands)			
Accumulated Depreciation and Amortization						
January 1	₱662,493	₱1,691,302	₱1,602,031	₱432,802	₱2,180,400	₱6,569,028
Depreciation and amortization (Note 22)	193,025	373,258	363,039	120,877	191,365	1,241,564
Disposals	(4,416)	(22,261)	(44,798)	(47,929)	(4,175)	(123,579)
Transfers	–	–	–	–	–	–
December 31	851,102	2,042,299	1,920,272	505,750	2,367,590	7,687,013
Net Book Value	₱2,358,991	₱2,229,845	₱555,475	₱196,415	₱10,011,573	₱15,352,299

2011

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In Thousands)			
Cost						
January 1	₱1,491,123	₱2,036,787	₱2,004,817	₱620,130	₱4,094,610	₱10,247,467
Additions	366,447	367,782	242,951	136,092	1,199,408	2,312,680
Disposals/Write-offs	(8,526)	(35,291)	(23,048)	(60,847)	(9,172)	(136,884)
Transfers (Note 35)	(234,638)	(255)	135,914	–	(158,332)	(257,311)
December 31	1,614,406	2,369,023	2,360,634	695,375	5,126,514	12,165,952
Accumulated Depreciation and Amortization						
January 1	525,825	1,475,586	1,383,087	329,376	1,990,999	5,704,873
Depreciation and amortization (Note 22)	143,362	246,505	228,790	119,412	198,142	936,211
Disposals	(6,694)	(30,789)	(9,846)	(15,986)	(8,741)	(72,056)
December 31	662,493	1,691,302	1,602,031	432,802	2,180,400	6,569,028
Net Book Value	₱951,913	₱677,721	₱758,603	₱262,573	₱2,946,114	₱5,596,924

The consolidated depreciation and amortization of property and equipment (included under various consolidated statements of income accounts) amounted to ₱1,419.7 million, ₱1,241.6 million and ₱936.2 million in 2013, 2012 and 2011, respectively. In 2013, interest capitalized amounted to ₱5.6 million (see Note 17).

15. Other Noncurrent Assets

Other noncurrent assets totaling ₱6,421.7 million, ₱2,557.2 million and ₱1,968.7 million as of December 31, 2013 and 2012 and January 1, 2012, respectively consist of deferred charges, deposits, pension assets (see Note 26) and other assets.

As of December 31, 2013 and 2012 and January 1, 2012, this account also includes leasehold right of a subsidiary amounting to ₱106.8 million, ₱113.5 million and ₱120.2 million, respectively. This pertains to the right to use an island property expiring on December 31, 2029. The cost amounted to ₱127.4 million and accumulated amortization as of December 31, 2013 and 2012 and January 1, 2012 amounted to ₱20.6 million, ₱13.9 million and ₱7.2 million, respectively. Amortization expense (included under "Hotels and resorts operations") amounted to ₱6.7 million in each period (see Note 22).

16. Accounts and Other Payables

This account consists of:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Accounts payable	**₱47,070,269**	₱31,550,014	₱23,758,491
Accrued project costs	**11,983,222**	12,070,336	7,539,717
Taxes payable	**5,702,543**	3,287,422	2,570,395
Payable to related parties (Note 25)	**3,835,367**	1,723,364	1,049,592
Accrued salaries and employee benefits	**1,668,323**	521,824	342,491

(Forward)

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Accrued repairs and maintenance	**₱1,496,922**	₱273,939	₱353,949
Accrued utilities	**1,381,483**	386,313	103,693
Interest payable	**1,335,221**	866,670	481,813
Accrued professional and management fees	**1,331,565**	878,216	136,950
Accrued advertising and promotions	**1,089,345**	560,726	157,506
Accrued rentals	**677,345**	801,978	733,208
Retentions payable	**155,548**	1,229,474	303,142
Dividends payable	**129,350**	24,587	12,390
Other accrued expenses	**1,621,661**	1,763,800	1,956,491
	₱79,478,164	₱55,938,663	₱39,499,828

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on 30 to 60-day terms.

Other accrued expenses consist mainly of accruals for light and power, marketing costs, film share, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security, insurance and representation.

17. Short-term and Long-term Debts

The short-term debt of ₱12,407.1 million, ₱9,779.1 million and ₱5,306.8 million as of December 31, 2013 and 2012 and January 1, 2012, represents unsecured peso-denominated bank loans and dollar-denominated bank loans.

The ranges of annual interest rates of the short-term debt follow:

	2013	2012	2011
Philippine Peso	**1.2% to 5.2%**	1.2% to 5.2%	3.5% to 5.0%
US Dollar	**1.1% to 2.0%**	1.1% to 2.0%	1.2% to 2.0%

Interest expense for dollar-denominated bank loans amounted to ₱1,679.9 million, ₱1,885.8 million and ₱1,509.8 million in 2013, 2012 and 2011 respectively.

Long-term debt consists of:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Company:			
Bonds:			
Due 2012	**₱–**	₱–	₱325,390
Due 2013	**–**	4,630,680	4,417,900
Due 2014	**620,195**	397,705	173,715
Due 2015	**992,460**	999,950	–
Due 2016	**1,999,650**	–	–
Due 2019	**9,350,000**	9,350,000	–
Due 2020	**4,000,000**	–	–
Due 2022	**5,650,000**	5,650,000	–
Due 2024	**15,000,000**	–	–
Due 2033	**2,000,000**	–	–
Floating rate corporate notes (FRCNs)	**1,000,000**	1,000,000	1,000,000
Fixed rate corporate notes (FXCNs)	**14,480,000**	16,175,000	12,675,000
US Dollar - denominated long term loan	**2,598,661**	2,402,862	–
	57,690,966	40,606,197	18,592,005

(Forward)

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Subsidiaries:			
Bank loans - Philippine Peso	**₱25,169,027**	₱19,172,244	₱14,887,419
Bank loans - US Dollar	**4,994,806**	4,127,550	336,253
Fixed rate corporate notes	**2,000,000**	1,300,000	–
	32,163,833	24,599,794	15,223,672
	89,854,799	65,205,991	33,815,677
Less unamortized transaction costs	**359,970**	207,074	81,520
	89,494,829	64,998,917	33,734,157
Less current portion	**3,542,152**	6,591,354	1,861,761
	₱85,952,677	₱58,407,563	₱31,872,396

Company

Philippine Peso Homestarter Bond due 2012

The Company launched a new issue of the Homestarter Bond in October 2009. The bond is to be issued over a series of 36 issues, once every month which commenced on October 16, 2009, up to ₱14.0 million per series or up to an aggregate issue amount of ₱504.0 million over a 3-year period. The bond carries an interest rate of 5% p.a., payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Company or its affiliates. In the event of application of the bond to partial or full payment for property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is subject to a maximum of 5% of the net selling price of the property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. From maturity date, a total of ₱410.8 million of bonds were redeemed. As of December 31, 2013 and 2012 and January 1, 2012, carrying value of outstanding bonds amounted to nil, nil and ₱325.4 million, respectively.

Philippine Peso 5-Year Bond due 2013

In 2008, the Company issued ₱4,000.0 million bonds due 2013 with fixed rate equivalent to 8.75% p.a. The Philippine Rating Services Corporation (PhilRatings) assigned a PRS AAA rating on the bond indicating that it has the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. PRS AAA is the highest credit rating possible on PhilRatings' rating scales for long-term issuances. PhilRatings maintained its rating of PRS AAA for the ₱4,000.0 million bonds in 2013, 2012 and 2011. On August 14, 2013, the Company completed the final redemption of its bond issue with aggregate principal of ₱4,000.0 million.

Philippine Peso Homestarter Bond due 2013

The Company launched another new issue of the Homestarter Bond in April 2010. The bond is to be issued over a series of 36 issues, once every month which commenced on April 16, 2010, up to ₱28.0 million per series or up to an aggregate issue amount of ₱1,008.0 million over a 3-year period. The bond carries an interest rate of 5% p.a., payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Company or its affiliates. In the event of application of the bond to partial or full payment for property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is subject to a maximum of 5% of the net selling price of the property selected by the bondholder except Ayala Land Premier properties, or 4% of the net selling price of the Ayala Land Premier property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. As of December 31, 2013 and 2012 and January 1, 2012, outstanding bonds amounted nil, ₱630.7 million and ₱417.9 million, respectively.

Philippine Peso Homestarter Bond due 2014

The Company launched a new issue of the Homestarter Bond in May 2011. The bond is to be issued over a series of 36 issues, once every month which commenced on May 16, 2011, with an initial issue amount of up to ₱56.0 million or up to an aggregate issue amount of ₱2.0 billion million over a 3-year period. The bond carries an interest rate of 5% per annum, payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Company or its affiliates. In the event of application of the bond to partial or full payment for a property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is also subject to a maximum of 5% of the net selling price of the property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. As of December 31, 2013 and 2012 and January 1, 2012, outstanding bond issued amounted to ₱620.2 million, ₱397.7 million and ₱173.7 million, respectively.

Philippine Peso Homestarter Bond due 2015
In October 2012, the Company issued ₱1,000.0 million bonds due 2015 with fixed rate equivalent to 5.00% p.a. The Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned an AAA issuer rating on the Company indicating that it has the smallest degree of investment risk for the bond. AAA is the highest credit rating possible on CRISP's rating scale for issuers. CRISP also assigned a stable credit outlook for Company's issuer rating as CRISP continues to believe that the Company's strong financial performance will continue and roll out of its new development projects will sustain its leadership position.

Philippine Peso Homestarter Bond due 2016
In May 2013, the Company issued the second tranche of the bonds registered with the Securities and Exchange Commission in 2012, at an aggregate principal amount of ₱2,000.0 million. The bonds have a term of three (3) years from the issue date, and will bear interest on its principal amount at a fixed rate of 4.00% p.a. Interest will not be compounded and shall be payable on maturity date or on the date of effectivity of an Early Downpayment Application, as may be applicable, less the amount of any applicable withholding taxes.

Philippine Peso 7-Year and 10-year Bonds due 2019 and 2022
In April 2012, the Company issued a total of ₱15,000.0 million bonds, broken down into a ₱9,350.0 million bond due 2019 at a fixed rate equivalent to 5.625% p.a. and a ₱5,650.0 million bond due 2022 at a fixed rate equivalent to 6.000% p.a. The PhilRatings assigned a PRS AAA rating on the bonds indicating that it has the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. PRS AAA is the highest credit rating possible on PhilRatings' rating scales for long-term issuances.

Philippine Peso 7-Year and 20-year Bonds due 2020 and 2033
In October 2013, the Company issued a total of 6,000.0 million bonds, broken down into a 4,000.0 million bond due 2020 at a fixed rate equivalent to 4.625% p.a. and a 2,000.0 million bond due 2033 at a fixed rate equivalent to 6.000% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 10-year and 6-month Bonds due 2024
In July 2013, the company issued a total of ₱15,000.0 million bonds due 2024 at a fixed rate equivalent to 5.0% p.a. Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned an "AAA" on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 5-, 7- and 10-year FXCNs due 2011, 2013 and 2016
In September 2006, the Company issued ₱3,000.0 million FXCNs consisting of 5-, 7- and 10-year notes issued to various financial institutions and will mature on various dates up to 2016. The FXCNs bear fixed interest rates ranging from 7.25% to 7.75% p.a. depending on the term of the notes. In January 2011, simultaneous to a new corporate note offering, the Company undertook a liability management exercise by offering to prepay holders of the corporate notes issued in 2006 while inviting the same institutions to participate in the new issuance. A number of investors holding up to ₱875.0 million of notes maturing in 2013 and 2016 accepted the offer to be prepaid. On September 23, 2011, the 5-year and one (1) day FXCNs amounting to ₱1,830.0 million matured and were fully repaid by the Company. Subsequently in September 2013, the balance of the 7-year FXCNs amounting to ₱195.0 million matured and was fully repaid by the Company. As of December 31, 2013 and 2012 and January 1, 2012, outstanding balance amounted to ₱100.0 million, ₱295.0 million and ₱295.0 million, respectively.

Philippine Peso 5-, 7- and 10-year FXCN due 2014, 2016 and 2019
In January 2009, the Company issued an aggregate ₱2,380.0 million in 5-, 7- and 10-year notes to various financial institutions and retail investors. The notes will mature on various dates up to 2019. The FXCNs bear fixed interest rates ranging from 7.76% to 8.90%. ₱220.0 million and ₱830.0 million notes due in 2014 and 2016, respectively were prepaid on January 28, 2013.

Philippine Peso 10-year Note due 2022
In December 2012, the Company executed a ₱5,000.0 million committed Corporate Note facility with a local bank, of which an initial ₱3,500.0 million was drawn in 2012. The balance of ₱1,500.0 million was subsequently drawn in January 2013. Notes currently bear a fixed interest rate of 4.50%. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date.

Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026
In January 2011, the Company issued ₱10.0 billion FXCNs to various financial institutions and retail investors. The notes will mature on various dates up to 2026. The FXCNs bear fixed interest rates ranging from 5.62% to 7.50% p.a. depending on the term of the notes. ₱1.95 billion note due in 2016 was prepaid on January 19, 2013.

Philippine Peso 7-year FRCN due 2016
In October 2009, the Company executed a ₱1,000.0 million committed FRCN facility with a local bank, of which an initial ₱10.0 million was drawn on October 12, 2009. The balance of ₱990.0 million was subsequently drawn on November 18, 2011. The FRCN bears a floating interest rate based on the 3-month PDST-R1 plus a spread of 0.96%, repriceable quarterly. The FRCNs will mature on October 12, 2016, the seventh anniversary of the initial drawdown date.

US Dollar-denominated Long-term Loan
In October 2012, the Company executed and fully withdrawn a US$58.5 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly. The loan will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In January 2014, the Company made a partial prepayment of US$5.75 million on the loan.

Subsidiaries
The subsidiaries' loans will mature on various dates up to 2020. Peso-denominated loans bear floating interest rates at 50 bps to 100 bps spread over the benchmark 91-day PDST-R1/R2 and fixed interest rates of 4.50% to 10.21% p.a. Certain loans which are subject to floating interest rates are subject to floor floating interest rates at the Overnight Reverse Repurchase Agreement Rate of the Bangko Sentral ng Pilipinas (BSP Overnight Rate) or at the BSP Overnight Rate plus a spread of 20% to 75%. A term loan facility of a subsidiary is secured by a Mortgage Trust Indenture over land and building with a total carrying value of nil, ₱690.0 million and ₱701.5 million of December 31, 2013 and 2012 and January 1, 2012, respectively. This term loan facility was subsequently refinanced in February 2013 on a clean basis. Dollar-denominated loans bear floating interest rates at a credit spread over the benchmark three-month US Dollar LIBOR, repriceable quarterly. The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result in a violation of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Group as of December 31, 2013 and 2012 and January 1, 2012.

Interest capitalized amounted to ₱180.7 million, ₱189.9 million and ₱144.0 million in 2013, 2012 and 2011, respectively. The capitalization rates are 0.50-8.20% in 2013 and 6.88% both in 2012 and 2011.

Transaction costs capitalized amounted to ₱202.6 million, ₱144.9 million and ₱92.7 million in 2013, 2012 and 2011 respectively. Amortization amounted to ₱35.0 million, ₱19.4 million and ₱12.9 million in 2013, 2012 and 2011, respectively and included under "Interest and other financing charges" (see Note 22). In 2013, the Company charged to expense the ₱7.6 million transaction costs related the ₱1,950.0 million loans prepaid.

18. Deposits and Other Current Liabilities

Deposits and other current liabilities which amounted to ₱5,139.2 million, ₱5,467.3 million and ₱1,569.0 million as of December 31, 2013 and 2012 and January 1, 2012, respectively, consist of tenants' deposits and construction bonds which will be applied against the rent and service due.

19. Deposits and Other Noncurrent Liabilities

Deposits and other noncurrent liabilities consist of:

	December 31		January 1,
	2013	2012	2012
	(In Thousands)		
Deposits	**₱11,636,361**	₱11,253,648	₱5,952,629
Liability for purchased land	**7,260,101**	–	–
Retentions payable	**3,654,350**	2,193,895	2,355,782
Estimated liability on property development	–	5,705,012	28,680
Other liabilities (Note 25)	**795,422**	713,725	643,457
	₱23,346,234	₱19,866,280	₱8,980,548

Deposits are initially recorded at fair value, which was obtained by discounting its future cash flows using the applicable rates of similar types of instruments.

Retentions payable pertains to the amount withheld by the Company on contractor's billings to be released after the guarantee period, usually one year after the completion of the project. The retention serves as a security from the contractor should there be defects in the project.

Estimated liability on property development pertains to the estimated future development of the sold portion of the real estate inventories. This also includes deferred output VAT on the installment sales of condominium units which will be remitted to the Government upon collection from customers.

20. Equity

The details of the number of shares in thousands follow:

	December 31				January 1,	
	2013		2012		2011	
	Preferred	**Common**	Preferred	Common	Preferred	Common
			(In Thousands)			
Authorized	15,000,000	20,000,000	28,000,000	20,000,000	15,000,000	20,000,000
Issued	13,066,495	14,063,902	26,101,099	13,729,402	13,034,604	13,022,771
Subscribed	–	109,385	–	102,159	–	99,917
Treasury	–	–	(13,034,604)	(79,528)	–	(79,528)
Outstanding	13,066,495	14,173,287	13,066,495	13,752,033	13,034,604	13,043,160

Preferred Shares

The Company's preferred shares prior to 2012 were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.64% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Company's BOD.

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that nonvoting shares do not count as equity when computing for a company's Filipino-ownership level:

a. Redemption and retirement of the 13.0 billion outstanding preferred shares.
b. Reclassification of the 1.97 billion unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
c. Increase in authorized capital stock by ₱1.3 billion creating new voting preferred shares and a stock rights offer of 13.0 billion voting preferred shares from the increase in the authorized capital stock.

On April 18, 2012, the stockholders ratified the BOD resolution on the capital restructuring. The voting preferred shares shall have the following features, rights, and privileges (a) voting; (b) dividend rate of 4.74786% per annum, equivalent to 90% of the 10-year PDST R2 (repriced every ten (10) years from issue date), payable annually, non-cumulative; (c) convertible at the option of the holder at a ratio of one (1) voting preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (d) no pre-emptive rights; (e) redeemable at par at the sole option of the corporation; (f) non-listed; and, (g) preferred in liquidation to the extent of par value.

The SEC approved last January 31, 2013 the following:
a. The decrease in authorized capital stock by ₱1,303.5 million, the aggregate par value of the 13,034.6 preferred shares which have been redeemed and retired, from ₱22,803.5 million to ₱21,500.0 million, and
b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

Common Shares

The rollforward analysis of the outstanding number of common shares follows:

	2013	2012	2011
		(In Thousands)	
At beginning of year	**13,752,033**	13,043,160	13,028,944
Additional subscriptions	**341,726**	708,873	14,216
Reissuance of treasury shares	**79,528**	–	–
At end of year	**14,173,287**	13,752,033	13,043,160

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Company.

On April 13, 2013, the stockholders resolved to approve the amendment of the Seventh Article of the Corporation's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On March 6, 2013, the Company's Board resolved to approve the placement made by AC of its existing 320,000,000 listed common shares of the Company to certain qualified third party buyers or investors at ₱30.50 per share. The Company completed the top-up placement, raising an aggregate of ₱12.2 billion in paid up capital. The price was at 3.6% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱162.4 million.

On July 10, 2012, the Company's executive committee approved the placement of 680 million listed common shares of stock with par value of ₱1.00 per share, at a price of ₱20 per share, and the issuance of equal number of new shares of the Company, at the same price of ₱20 per share, with AC as the seller of the placement tranche and subscriber of the subscription tranche. The Company completed the top-up placement, raising an aggregate of ₱13.6 billion in paid up capital. The price was at 4.988% discount to the closing price. Transaction cost charged to additional paid-in capital amounted to ₱200.0 million.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1 billion common shares of stock with an aggregate par value of ₱1,000.0 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On April 2, 2008, the Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On July 5, 1991, the Company launched its Initial Public Offering where a total of 400.00 million common shares were offered at an offering price of ₱26 per share. The registration statement was approved on July 20, 1992. The Company has 9,927, 10,146 and 10,515 existing certified shareholders as of December 31, 2013 and 2012 and January 1, 2012, respectively.

Treasury Shares
The amendment of the Articles of Incorporation on April 17, 2013 allows the re-selling of the 79,528,299 listed common shares as part of the top-up placement transaction completed in July 2013. Treasury common shares were sold at ₱30.5 per share resulting to additional paid-up capital of ₱1,601.6 million.

On July 16, 2012, the Company redeemed the 13.0 billion outstanding non-voting preferred shares through payment of the redemption price of ₱0.10 per share. As of December 31, 2012, the redeemed preferred shares were treated as treasury shares and were subsequently retired upon approval of the Company's SEC application for the decrease in authorized capital stock on January 31, 2013.

On August 12, 2008, the BOD approved a share buyback program. It is part of the Company's balance sheet management program and aims to (i) improve the Company's balance sheet structure and capital efficiency and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Company as not reflective of its fair corporate value.

In 2008, the Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.9 million in relation to its share buyback program.

Retained Earnings
The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.29, ₱0.21 and ₱0.15 per share in 2013, 2012 and 2011, respectively, to all issued and outstanding shares.

On February 19, 2013 and October 3, 2011, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends at the dividend rate of 4.75% and 4.64% p.a., respectively to all issued and outstanding preferred shares.

Retained earnings of ₱6.0 billion are appropriated for future expansion. The amount represents a continuing appropriation for land banking activities and planned building construction projects. Each year, the Company incurs capital expenditures for property development which include among others land banking and building construction projects. The appropriation is being fully utilized to cover part of the annual expenditure requirement of the Company. In 2013, it is expected that the capital expenditure requirement will exceed the ₱6.0 billion appropriations, hence the Company will provide future appropriation as the need arises.

The Company has earmarked additional funds for expansion projects in the residential, shopping centers, office and hotel business segments, as well as various infrastructure projects for the Company's mixed-use developments.

The following are among the major capital expenditures of the Company which were approved by the BOD:

a. Two Roxas Triangle, Ayala Land Premier's (ALP) second and final tower in the most preferred luxury address in Makati that will feature 182 high-end residential units was approved last March 12, 2013.

b. The Verve Residences, a 40-storey condominium which is Alveo's newest residential offering in the Bonifacio Global City was approved last June 18, 2013.

c. East Gallery Place, ALP's residential development in High Street South with a mix of condominium, flex and townhouse units; Avida Towers Asten, a three tower condominium and Avida's latest offering in Makati; Steps Nuvali, Amaia's first mid-rise building product in Nuvali; and mixed-use offering in the soon to be Makati's entertainment district named Circuit which will have a BPO building, Circuit Mall and Lane, approved on August 22, 2013.

d. Portico, a mixed used development in the Ortigas-Pasig area; Verte, additional residential condominium development of Avida in BGC with 564 units for sale; One Park Drive, Avida's first office development for sale also in BGC; and a mixed-use development in Vertis, North Triangle Quezon City which will have a lifestyle mall, BPO, hotel and residential components were approved on October 11, 2013.

e. The Suites at One Bonifacio High Street, Ayala Land Premier's (ALP) 63-story iconic single tower that will feature 298 residential suites and limited edition sky villas was approved on May 21, 2012.

f. Garden Towers, ALP's two-tower condominium in Ayala Center, the first tower of which will have 340 high-end residential units; High Street South Corporate Plaza, Alveo's first office development for sale, a 2-tower Grade A, LEED Certified office with 286 office and 34 storage units; Luscara, ALP's latest subdivision development in Nuvali, with 276 lots for sale; Avida Woodhill Settings, the sequel to the highly successful Avida Parkway Settings Village in Nuvali, with 1,363 units for sale; Amaia Steps Bicutan 1, the first of six Amaia walk-up buildings in Bicutan were approved on November 23, 2012.

g. Fairview Terraces, a mixed use development in Northeastern Metro Manila with Regional Mall and BPO components were approved on August 26, 2011.

Retained earnings also include undistributed net earnings amounting to ₱26,394.83 million, ₱20,930.7 million and ₱16,918.6 million as of December 31, 2013, 2012 and 2011, respectively, representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures.

As of December 31, 2013, 2012 and January 1, 2011, retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Company's retained earnings available for dividend declaration as of December 31, 2013 and 2012 and January 1, 2012 amounted to ₱23.2 billion, ₱19.9 billion and ₱19.2 billion, respectively.

Equity Reserves
In 2013, the Company acquired additional 32% interest in APPCo and additional 40% interests in TKDC and TKPI increasing its ownership interest to 100% (see Note 24). The transactions were accounted as an equity transaction since there was no change in control. Following is the schedule of the movement in equity reserves recorded within the equity:

	Consideration paid	Carrying value of Non-controlling interests	Difference recognized within Equity
		(In Thousands)	
32% interest in APPCo	₱3,520,000	₱797,411	₱2,722,589
40% interest in TKDC and TKPI	2,000,000	1,413,960	586,040
	₱5,520,000	₱2,211,371	₱3,308,629

In 2011, the Company sold its 40% interest in PhilEnergy for ₱137.0 million. The difference between the consideration and carrying amount of sold investment recognized as equity reserves amounted to ₱9.0 million (see Note 2).

Capital Management
The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2013 and 2012 and January 1, 2012, the Group had the following ratios:

	December 31		January 1,
	2013	2012	2012
Debt to equity	**103.5%**	91.2%	62.8%
Net debt to equity	**61.5%**	51.2%	18.6%

Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and financial assets at FVPL. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Company less unrealized gain on AFS financial assets.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2013, 2012 and 2011.

Financial risk assessment
The Company's financial condition and operating results would not be materially affected by the current changes in liquidity, credit, interest, currency and market conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Company's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Company's ratio of fixed to floating rate debt stood at 65:35, 54:46 and 58:42 as of December 31, 2013 and 2012 and January 1, 2012, respectively. As a result, any adverse movement in interest rates is mitigated.

Exposure to foreign currency holdings is at US$33.4 million, US$64.3 million and US$31.2 million as of December 31, 2013 and 2012 and January 1, 2012, respectively.

Liquidity risk is addressed with long term funding already locked in, while funds are placed on cash equivalents, short term investment and financial assets at FVPL.

21. Real Estate Revenue

This account consists of:

	2013	2012	2011
		(In Thousands)	
Land and residential unit sales	**₱50,573,524**	₱33,765,113	₱25,081,795
Leasing (Note 13)	**13,754,732**	13,115,496	11,498,162
Construction	**4,377,951**	4,313,717	5,135,115
Hotels and resorts	**4,260,709**	2,451,992	2,244,159
Management and marketing fees	**3,370,518**	1,059,109	878,753
	₱76,337,434	₱54,705,427	₱44,837,984

In 2013, leasing includes revenue from retail sale of electricity to various locators in the Group’s industrial estate amounted to ₱537.7 million.

22. Other Income and Costs and Expenses

Other income consists of:

	2013	2012	2011
		(In Thousands)	
Marketing and management fees	**₱333,464**	₱349,018	₱360,371
Loss on sale of financial assets at FVPL (Note 6)	**–**	–	(4,423)
Others - net (Note 25)	**764,074**	64,703	390,070
	₱1,097,538	₱413,721	₱746,018

Other income mainly consists of gain on sale of waterworks and sewerage facilities (see Note 25), gain on sale of equipment, equipment and other properties, and foreign exchange gains and losses. It also includes reversal of impairment losses amounting to ₱1.3 million, ₱46.3 million and ₱4.2 million in 2013, 2012 and 2011, respectively (see Note 7).

In 2013, 2012 and 2011, the financial impact of net foreign exchange transactions included under other income amounted to ₱369.1 million loss, ₱106.8 million gain and ₱12.0 million loss, respectively.

Real estate costs and expenses consist of:

	2013	2012	2011
		(In Thousands)	
Cost of real estate sales (Note 8)	**₱29,649,634**	₱21,107,170	₱14,494,121
Hotels and resorts operations	**3,195,851**	2,008,885	1,423,399
Depreciation and amortization	**3,180,835**	2,259,257	2,450,104
Marketing and management fees	**2,601,995**	2,369,499	2,153,828
Manpower costs	**1,791,747**	1,319,615	1,114,380
Rental	**1,593,726**	1,330,242	995,053
Materials and overhead	**852,987**	1,328,907	3,276,623

(Forward)

	2013	2012	2011
		(In Thousands)	
Direct operating expenses:			
Light and water	**₱2,955,303**	₱940,917	₱712,131
Taxes and licenses	**1,435,457**	1,120,372	998,626
Professional fees	**1,265,546**	672,651	408,866
Repairs and maintenance	**758,653**	769,407	691,282
Insurance	**114,467**	115,122	113,248
Transportation and travel	**110,368**	77,837	56,990
Commission	**105,974**	83,362	31,960
Entertainment, amusement and Recreation	**17,870**	11,453	14,546
Others	**2,208,773**	1,511,014	1,055,961
	₱51,839,186	₱37,025,710	₱29,991,118

General and administrative expenses consist of:

	2013	2012	2011
		(In Thousands)	
Manpower costs (Note 26)	**₱3,631,365**	₱2,883,362	₱2,350,497
Taxes and licenses	**325,581**	180,982	152,918
Donations and contribution (Note 32)	**316,650**	22,025	14,790
Depreciation and amortization	**304,350**	266,231	256,606
Professional fees	**284,698**	377,056	228,061
Utilities	**194,418**	160,871	129,336
Rent	**123,509**	94,455	89,300
Transport and travel	**122,382**	87,448	67,398
Repairs and maintenance	**116,877**	123,013	91,813
Advertising	**77,079**	70,335	58,231
Insurance	**74,183**	57,536	30,611
Security and janitorial	**47,317**	49,169	50,196
Supplies	**39,767**	69,406	47,155
Training and seminars	**38,687**	22,547	19,143
Dues and fees	**25,525**	32,475	25,101
Entertainment, amusement and recreation	**25,336**	57,839	24,157
Others	**181,612**	171,818	128,581
	₱5,929,336	₱4,726,568	₱3,763,894

Manpower costs included in the consolidated statements of income follow:

	2013	2012	2011
		(In Thousands)	
Real estate costs and expenses			
Cost of real estate	**₱1,791,747**	₱1,319,615	₱1,114,380
Hotels and resorts operations	**382,232**	310,760	194,458
General and administrative expenses	**3,631,365**	2,824,307	2,350,497
	₱5,805,344	₱4,454,682	₱3,659,335

Depreciation and amortization expense included in the consolidated statements of income follow:

	2013	2012	2011
		(In Thousands)	
Real estate costs and expenses:			
Cost of real estate	**₱3,180,835**	₱2,259,257	₱2,450,104
Hotels and resorts operations	**413,216**	189,049	198,100
General and administrative expenses	**304,350**	266,231	256,606
	₱3,898,401	₱2,714,537	₱2,904,810

Interest and other financing charges consist of:

	2013	2012	2011
		(In Thousands)	
Interest expense on:			
Short-term debts (Note 17)	**₱815,954**	₱162,781	₱137,629
Long-term debts (Note 17)	**2,919,498**	2,307,370	1,910,120
Other financing charges	**380,103**	794,843	51,127
	₱4,115,555	₱3,264,994	₱2,098,876

Other charges consist of:

	2013	2012	2011
		(In Thousands)	
Provision for impairment losses on:			
Receivables (Note 7)	**₱172,678**	₱52,621	₱72,167
Investments in associates and joint ventures (Note 12)	**–**	58,996	–
Investment properties (Note 13)	**–**	19,500	–
AFS financial asset (Note 10)	**–**	16,771	–
Other current assets (Note 9)	**276,129**	67,166	–
Provisions, write-offs and other charges	**230,123**	152,242	145,824
	₱678,930	₱367,296	₱217,991

23. Income Tax

The components of deferred taxes are as follows:

Net deferred tax assets:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Deferred tax assets on:			
Difference between tax and book basis of accounting for real estate transactions	**₱3,358,688**	₱1,972,109	₱1,078,197
Retirement liabilities	**1,176,218**	390,394	328,249
Allowance for probable losses	**1,020,409**	869,469	885,886
Outstanding share-based payments	**87,265**	116,434	90,057
Unrealized foreign exchange losses	**52,095**	18,983	14,225
Accrued expenses	**28,711**	145,355	126,396
Advanced rentals	**4,646**	79,044	129,650
Others	**45,566**	17,649	9,868
	5,773,598	3,609,437	2,662,528
Deferred tax liabilities on:			
Capitalized interest and other expenses	**(592,732)**	(543,557)	(477,015)
Unrealized foreign exchange gain	**(1,569)**	(22,791)	(748)
Others	**(18,251)**	(17,766)	(24,827)
	(612,552)	(584,114)	(502,590)
	₱5,161,046	₱3,025,323	₱2,159,938

Net deferred tax liabilities:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Deferred tax assets on:			
Difference between tax and book basis of accounting for real estate transactions	**₱318,661**	₱372,380	₱97,392
Advanced rentals	**68,570**	–	407
Allowance for probable losses	**51,595**	17,347	21,401
NOLCO	–	23,704	1,075
Retirement benefits	–	9,188	6,749
Unrealized foreign exchange losses	–	3,900	4,050
Others	**24,282**	16,695	24,916
	463,108	443,214	155,990
Deferred tax liabilities on:			
Fair value adjustment arising from business combination	**(1,291,580)**	(1,048,280)	(414,845)
Difference between tax and book basis of accounting for real estate transactions	**(304,700)**	(269,128)	(333,600)
Prepaid expenses	**(149,972)**	(95,886)	(120,134)
Unrealized foreign exchange gain	**(3,000)**	(29,835)	(367)
Capitalized interest and other expenses	–	(42,625)	(46,740)
Others	**(20,373)**	(1,439)	(2,362)
	(1,769,625)	(1,487,193)	(918,048)
	(₱1,306,517)	(₱1,043,979)	(₱762,058)

Certain subsidiaries of the Company have NOLCO amounting to ₱158.3 million, ₱108.0 million and ₱195.0 million as of December 31, 2013 and 2012 and January 1, 2012, respectively, and MCIT amounting to ₱22.5 million, ₱5.4 million and ₱6.6 million as of December 31, 2013, 2012 and January 1, 2012, respectively, which were not recognized. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The carryover NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities are as follows:

NOLCO:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2010	₱95,790	₱95,790	₱–	2013
2011	84,635	34,116	50,519	2014
2012	64,377	4,327	60,050	2015
2013	47,709	–	47,709	2016
	₱292,511	₱134,233	₱158,278	

MCIT:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2010	₱2,671	₱2,671	₱–	2013
2011	5,775	3,158	2,617	2014
2012	9,754	–	9,754	2015
2013	10,156	–	10,156	2016
	₱28,356	₱5,829	₱22,527	

Reconciliation between the statutory and the effective income tax rates follows:

	2013	2012	2011
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effect of:			
Interest income and capital gains taxed at lower rates	**(1.06)**	(1.71)	(0.14)
Interest income subject to final tax and income under tax holiday (Note 31)	**(1.22)**	(1.81)	(2.20)
Equity in net earnings of associates and joint ventures	**(1.55)**	(1.11)	(1.04)
Others – net	**(1.62)**	(1.51)	(0.69)
Effective income tax rate	**24.55%**	23.86%	25.93%

Board of Investments (BOI) Incentives

BellaVita

On March 5, 2013, the BOI issued in favor of BellaVita, Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for BellaVita – Alaminos located at Brgy. San Andres, Alaminos, Laguna. The project has been granted an income tax holiday for a period of four (4) years commencing from March 2013.

On August 30, 2012, the BOI issued in favor of BellaVita, Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for BellaVita – General Trias Phases 1, 2 & 3 located at Brgy. Tapia, General Trias, Cavite. The project has been granted an income tax holiday for a period of four (4) years commencing from August 2012.

Amaia

On March 19, 2013, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Amaia Skies Sta. Mesa – South Tower located at V. Mapa, cor. Valenzuela St., Sta. Mesa, Manila, Amaia Steps Sucat Phase 1 (6 Bldgs.) located at 8333 & 8337 Dr. A. Santos Avenue, Parañaque City, and Amaia Steps Pasig (ph1A) located at Eusebio Avenue, Brgy. San Miguel, Pasig City. These projects have been granted an income tax holiday for a period of three (3) years commencing from March 19, 2013.

On March 22, 2013, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Amaia Skies Avenida – North Tower located at T. Mapua corner Doroteo Jose & Rizal Avenue, Sta. Cruz, Manila. The project has been granted an income tax holiday for a period of three (3) years commencing from March 22, 2013.

On April 1, 2013, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Amaia Scapes Tarlac located at Brgy. Estrada, Capas, Tarlac. The project has been granted an income tax holiday for a period of four (4) years commencing from April 1, 2013.

On May 29, 2013, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Amaia Steps Bicutan located at West Service Road corner Sun Valley Drive, Brgy. Sun Valley, Parañaque City. The project has been granted an income tax holiday for a period of three (3) years commencing from May 29, 2013.

On September 30, 2013, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project (expansion) for Amaia Skies Cubao Tower 2 located at 5^{th} Ave., cor. P. Tuazon, Brgy. Socorro, Quezon City. The project has been granted an income tax holiday for a period of three (3) years commencing from September 30, 2013.

On May 4, 2012, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Amaia Scapes North Point located in Brgy. Minulu-an and Matab-ang, Talisay City, Negros Occidental. Pursuant thereto, project has been granted an income tax holiday for a period of four (4) years commencing from May 2012.

On June 28, 2012, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Steps Novaliches and Amaia Skies Cubao Tower 1. Amaia Steps project is located at Susano Road, Brgy.170, Zone 15, Depara, Caloocan City and in Brgy. San Agustin in Novaliches, Quezon City while Amaia Skies, on the other hand, is located in P. Tuazon Blvd. corner 5th Avenue, Brgy. Socorro in Cubao, Quezon City. These projects have been granted an income tax holiday for a period of three (3) years commencing from June 2012.

On June 28, 2012, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Amaia Scapes Cavite located in Brgy. Santiago, General Trias, Cavite. Pursuant thereto, project has been granted an income tax holiday for a period of four (4) years commencing from June 2012.

On October 11, 2012, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Cabanatuan and Amaia Scapes Lipa. The projects are located in Bangad, Cabanatuan, Nueva Ecija and Sto.Tomas, Lipa Road, Brgy. Dagatan, Lipa City, Batangas, respectively. These projects have been granted an income tax holiday for a period of four (4) years commencing from October 2012.

On March 23, 2011, the BOI issued in favor of Amaia a Certificate of Registration as New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Laguna, Brgy. Barandal, Calamba City, Laguna. Pursuant thereto, the project has been granted an Income Tax Holiday for a period of four (4) years commencing from March 2011.

Avida

On November 12, 2012, the BOI issued in favor of Avida a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Avida Towers Intima Tower 1, Brgy. 678 Zone 74, 497 Pres. Quirino Ave. Ext. cor. Zulueta St., Paco, Manila in accordance with the Omnibus Investment Code of 1987 (Executive Order No. 226). Pursuant thereto, the project has been granted an Income Tax Holiday for a period of three (3) years commencing from November 2012.

On November 13, 2012, the BOI issued in favor of Avida a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Avida Towers Riala Tower 1, Cebu IT Park, Brgy. Apas, Cebu City in accordance with the Omnibus Investment Code of 1987 (Executive Order No. 226). Pursuant thereto, the project has been granted an Income Tax Holiday for a period of four (4) years commencing from November 2012.

On December 13, 2011, the BOI issued in favor of Avida a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Avida Towers Cebu Tower 1, Asiatown I.T. Park, Lahug, Cebu City. The project has been granted an Income Tax Holiday for a period of four (4) years commencing from December 2011.

On December 14, 2011, the BOI issued in favor of Avida a Certificate of Registration as an Expanding Developer of Low-Cost Mass Housing Project for its Avida Towers San Lazaro Tower 5, Lot 5 E Block 50 C Pista St., Brgy. 350, Zone 035 Sta. Cruz, Manila , Avida Towers Cebu Tower 2, Asiatown I.T. Park, Lahug, Cebu City and Avida Towers Sucat Tower 7, Dr. A. Santos Ave., Brgy. San Dionisio, Parañaque City. The projects have been granted an Income Tax Holiday for a period of three (3) years commencing from December 2011.

On February 9, 2010, the BOI issued in favor of Avida a Certificate of Registration as an Expanding Developer of Low-Cost Mass Housing Project for its Celadon Park Tower 2, Felix Huertas Street, Manila in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the project has been granted an Income Tax Holiday for a period of three (3) years commencing from February 2010.

AMHPI

In December 2007, AMHPI was registered with the Board of Investments (BOI) as a new tourist accommodation facility on a pioneer status particularly for the operations of the Fairmont Hotel Makati and Raffles Residences Manila (the Project) upon its completion. The Project represents a combined hotel facility and complex of residential units. Under the terms of the registration and subject to certain requirements, AMHPI is entitled to the following fiscal and non-fiscal incentives, among others; (a) income tax holiday for a period of six years from January 2011 or actual start of commercial operations, whichever is earlier; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for ten years from start of commercial operations; (e) simplifications of customs procedures for the importation of equipment, spare parts, raw materials and supplies; and (f) importation of consigned equipment for a period of 10 years from start of commercial operations.

24. Business Combinations and Acquisition of Non-controlling Interests

ALI Makati Hotel & Residences, Inc. (AMHRI) and ALI Makati Hotel Property, Inc. (AMHPI)
On October 2, 2012, AHRC, a wholly-owned subsidiary of the Company, entered into an agreement to acquire the interests of Kingdom Manila B.V., an affiliate of Kingdom Hotel Investments (KHI), and its nominees in KHI-ALI Manila Inc. (now renamed AMHRI) and 72,124 common shares in KHI Manila Property Inc. (now renamed AMHPI).

AMHRI and AMHPI are the project companies of the Fairmont Hotel and Raffles Suites and Residences project in Makati which opened last December 2012.

Prior to the acquisition, the Company effectively owned 20% economic interest in AMHRI and AMHPI (see Note 12). The Company acquired the remaining 80% interest in AMHRI and AMHPI for a total consideration of ₱2,430.4 million.

This acquisition is in line with KHI's value realization strategy and with the Company's thrust to grow its commercial leasing business. 32 Raffles Suites and 280 Fairmont Hotel rooms were added to AHRC's growing hotel portfolio. The continuing sale of units in the Raffles Residences will also generate immediate cash, while the operations of the hotel and serviced apartments will augment and diversify the sources of recurring revenue. Furthermore, this landmark project will complement the various offerings of the Makati Central Business District, and fortify its position as the country's premier financial district.

The fair value of the Company's interest prior to the acquisition amounting to ₱769.0 million was determined using the adjusted net asset value method. Remeasurements of the Company's equity interest in both companies resulted to the recognition of a gain (included under "interest and investment income") amounting to ₱593.9 million.

In 2013, the Company finalized its purchase price allocation. Changes to the fair market values of the assets acquired and liabilities assumed noted are retroactively applied in the 2012 balances.

The following are fair values of the identifiable assets and liabilities assumed (in thousands):

Assets	
Cash	₱1,334,000
Trade and other receivables	1,708,000
Real estate inventories	936,000
Other current assets	202,000
Hotel property and equipment (Note 14)	5,421,000
	9,601,000
Liabilities	
Accounts and other payables	2,162,000
Loans payable	3,594,000
Deferred tax liabilities	633,698
	6,389,698
Total net assets acquired	3,211,302
Acquisition cost	3,199,432
Negative goodwill	₱11,870

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

From October 2 to December 31, 2012, the Group's share in AMHRI and AMHPI's revenue and net loss amounted to ₱898.9 million and ₱96.4 million, respectively. If the combination had taken place at the beginning of 2012, the Group's total revenue would have been ₱64,269.7 million, while the Group's net income would have been ₱10,641.3 million.

TKPI and TKDC
The Company entered into an agreement with Asian Conservation Company and ACC Resorts, Inc. (the ACC Group) to create a company which will serve as a holding vehicle for TKPI and TKDC (wholly-owned subsidiaries of the ACC Group prior to the Company's involvement). TKPI and TKDC are mainly involved in the development of parcels of land and islands into resorts in Miniloc, Lagen, Pangulasian and Apulit islands in the municipalities of El Nido and Taytay in Northern Palawan.

The agreement eventually resulted in the Company obtaining 60% interest in the new company for a total consideration of ₱2,000.0 million and ACC Group acquiring the remaining 40% interest.

The Company subscribed to 60% of the shares of TKPI and TKDC, thereby providing the Company with the ability to exercise control over TKPI and TKDC effective April 23, 2010. Accordingly, TKPI and TKDC financial statements were consolidated on a line-by-line basis with that of the Group as of December 31, 2010.

The following were the fair values of the identifiable assets and liabilities assumed (in thousands) at the time of acquisition:

Assets	
Cash and cash equivalents	₱365,652
Trade and other receivables	1,455,940
Inventories	16,393
Other current assets	25,401
Land and improvements	1,361,645
Deposit on land purchase	444,622
Property and equipment	493,328
Other assets	140,640
	4,303,621
Liabilities	
Accounts and other payables	310,177
Deposits and other current liabilities	21,446
Due to related parties	89,232

(Forward)

Loans payable	₱81,621
Income tax payable	18,630
Deferred tax liabilities – net	399,155
	920,261
Net assets	3,383,360
Non-controlling interest in TKDC and TKPI	1,353,344
Total net assets acquired	2,030,016
Acquisition cost	2,029,500
Negative goodwill	₱516

The fair value of the trade and other receivables approximate their carrying amounts since these are short-term in nature. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

In 2011, the Company finalized its purchase price allocation and there were no changes to the fair market values of the assets acquired and liabilities assumed for TKDC and TKPI.

In 2011, the shareholders of ECI, a subsidiary, approved the increase in its authorized capital stock and the subsequent issuance of these shares in exchange for the investment of the Company and ACC Group in TKDC and TKPI. As a result of this transaction, ALI and ACC will obtain 60% and 40% ownership interest in ECI, respectively. Also, TKDC and TKPI will become wholly owned subsidiaries of ECI. However, the Exchange Agreement was subsequently rescinded in 2013, in favor of the acquisition of the minority interest in TKDC and TKPI through AHRC's acquisition of 100% interest in ACCI (see Note 20).

Asian Conservation Company, Inc. (ACCI)
On November 19, 2013, AHRC, a wholly owned subsidiary of the Company entered into an agreement to acquire 100% interest in ACCI, which effectively consolidates the remaining 40% interest in TKDC and TKPI (60%-owned subsidiary of the Company prior to this acquisition). This acquisition is in line with the Company's thrust to support the country's flourishing tourism industry.

The agreement resulted in the Company effectively obtaining 100% interest in TKPI and TKDC. A total of ₱2,000.0 million was paid to obtain the 100% interest in ACCI. The carrying amount of the non-controlling interest is reduced to nil as the Company already owns 100% share in TKDC and TKPI become wholly-owned subsidiaries of the Company. The difference between the fair value of the consideration paid and the amount by which the non-controlling interest is adjusted is recognized in equity attributable to the Company amounting to ₱586.0 million (see Note 20).

APPHC and APPCo
APPCo owns BPO buildings in Makati, Quezon City and Laguna, with a total leasable area of approximately 230 thousand square meters. This acquisition is aligned with the Company's thrust of expanding its office leasing business and increasing its recurring income.

In 2006, the Company signed an agreement with MLT Investments Ltd. (MIL) and Filipinas Investments Ltd. (FIL) to jointly develop a BPO office building in Dela Rosa Street and to purchase the existing PeopleSupport Building.

APPHC, the joint-venture company formed, is 60% owned by the Company. APPHC owns 60% interest in its subsidiary, APPCo. The remaining 40% interest in both APPHC and APPCo are split evenly between MIL and FIL. APPHC and APPCo are joint ventures by the Company, MIL, and FIL.

On December 8, 2008, the Company acquired from FIL its 20% ownership in APPHC and APPCo. This resulted in an increase in the Company's effective ownership interest in APPHC from 60% to 80% and APPCo from 36% to 68%, thereby providing the Company with the ability to control the operations of APPHC and APPCo following the acquisition. Accordingly, APPHC and APPCo's financial statements are consolidated on a line-by-line basis with that of the Group as of December 31, 2008.

On November 16, 2011, the SEC approved the merger of APPHC and APPCo, with APPCo as the surviving entity. The merger was meant to streamline administrative processes and achieve greater efficiency. From the perspective of the Company, the merger did not affect its effective interest (68%) in the merged entity.

On April 15, 2013, the Company has entered into a Sale and Purchase Agreement with Global Technologies International Limited (GTIL) to acquire the latter's 32% stake in APPCo for ₱3,520.0 million. Prior to the acquisition, the Company has 68% effective interest in APPCo.

The carrying amount of the non-controlling interest is reduced to nil as APPCo became wholly-owned by the Company. The difference between the fair value of the consideration paid and the amount by which the non-controlling interest is adjusted is recognized in equity attributable to the Company amounting to ₱2,722.6 million (see Note 20).

Asian I- Office Properties, Inc. (AiO)
On April 16, 2013, CPVDC (a subsidiary of CHI) acquired the 60% interest of the Company in AiO for a cash consideration of ₱436.2 million. AiO was previously 40%-owned by CPVDC and 60%-owned by the Company.

This transaction allows the Company to consolidate into CPVDC the development and operations of BPO offices in Cebu and businesses related thereto, which should lead to value enhancement, improved efficiencies, streamlined processes and synergy creation among the Company and its subsidiaries. This is also consistent with the thrust of the CHI group to build up its recurring income base.

The acquisition resulted to AiO becoming a wholly owned subsidiary of CPVDC. Both AiO and CHI are under the common control of the Company. As a result, the acquisition was accounted for using the pooling of interests method. The transaction has no effect on the carrying amounts of the Group's assets and liabilities.

Taft Punta Engaño Property, Inc. (TPEPI)
On October 31, 2013, the Group Company acquired a 55% interest in TPEPI for a consideration of ₱550.0 million. The acquisition will allow the Group to consolidate its businesses resulting in improved efficiencies and synergy creation to maximize opportunities in the Cebu real estate market. The transaction was accounted for as an asset acquisition.

The excess of the Group's cost of investment in TPEPI over its proportionate share in the underlying net assets at the date of acquisition was allocated to the "Investment properties" account in the consolidated financial statements. This purchase premium shall be amortized upon sale of these lots by TPEPI.

TPEPI's underlying net assets acquired by the Group as of date of acquisition consists of cash in bank, input VAT and investment properties amounting to ₱550.0 million.

25. Related Party Transactions

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

Terms and Conditions of Transactions with Related Parties
In its regular conduct of business, the Group has entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Transactions with related parties are made at normal market prices. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year (in thousands):

a. Transactions with BPI, an associate of AC

The Group maintains current and savings account, money market placements, UITF investments, short-term and long-term debt payable with BPI as follows:

	December 31		January 1,
	2013	2012	2011
		(In Thousands)	
Cash in bank	**₱6,737,072**	₱11,467,210	₱2,880,037
Cash equivalents	**10,788,151**	13,302,950	12,192,731
Financial assets at FVPL	**12,794,654**	–	–
Short-term debt	**1,500,000**	385,868	143,305
Long-term debt	**16,869,061**	12,989,556	3,239,900

b. Outstanding balances from/to related parties follow (amounts in thousands):

December 31, 2013

	Receivables from related parties			**Payable to related parties**		
	Current	**Noncurrent**	**Total**	**Current**	**Noncurrent**	**Total**
Parent Company:						
AC	**₱117,736**	**₱–**	**117,736**	**₱229,215**	**₱–**	**₱229,215**
Associate:						
LDC	**5,964**	**–**	**5,964**	**–**	**–**	**–**
BLC	**–**	**–**		**212,697**	**–**	**212,697**
	5,964	**–**	**5,964**	**212,697**	**–**	**212,697**
Other related parties:						
Columbus	**888,815**	**–**	**888,815**	**1,156,308**	**–**	**1,156,308**
Globe Telecom, Inc. (Globe)	**97,622**	**–**	**97,622**	**1,074**	**–**	**1,074**
BPI	**31,160**	**–**	**31,160**	**75,787**	**–**	**75,787**
AG Counselors Corp. (AGCC)	**20,821**	**–**	**20,821**	**578**	**–**	**578**
Fort Bonifacio Holdings Corp.	**3,085**	**–**	**3,085**	**–**	**–**	**–**
MyRegalo.com, Inc.	**2,098**	**–**	**2,098**	**–**	**–**	**–**
Manila Water Company, Inc. (MWC)	**346,141**	**–**	**346,141**	**179**	**–**	**179**
Ayala International North America (AINA)	**–**	**–**	**–**	**–**	**–**	**–**
FBDC	**274,645**	**–**	**274,645**	**2,154,003**	**–**	**2,154,003**
Ayala Life	**268**	**–**	**268**	**128**	**–**	**128**
BPI Family Bank	**–**	**–**	**–**	**2,456**	**–**	**2,456**
BPI MS Insurance Corp.	**–**	**–**	**–**	**1,168**	**–**	**1,168**
Ayala Foundation, Inc. (AFI)	**–**	**–**	**–**	**1,064**	**–**	**1,064**
Others	**56,342**	**–**	**56,342**	**710**	**–**	**710**
	1,720,997	**–**	**1,720,997**	**3,393,455**	**–**	**3,393,455**
	₱1,844,697	**₱–**	**₱1,844,697**	**₱3,835,367**	**₱–**	**₱3,835,367**

December 31, 2012

	Receivables from related parties			Payable to related parties		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Parent Company:						
AC	₱83,195	₱–	83,195	₱223,232	₱–	₱223,232
Associates:						
BLC	2	–	2	212,696	–	212,696
Other related parties:						
Columbus	888,810	–	888,810	1,156,309	–	1,156,309
Globe	57,582	–	57,582	497	–	497
BPI	20,785	–	20,785	130,186	–	130,186
AGCC	20,369	–	20,369	–	–	–
Fort Bonifacio Holdings Corp.	–	–	–	–	–	–
MyRegalo.com, Inc.	–	–	–	–	–	–
MWC	–	–	–	343	–	343
AINA	184,725	–	184,725	–	–	–
FBDC	71,833	–	71,833	34	–	34
Ayala Life	–	–	–	–	–	–
BPI Family Bank	–	–	–	–	–	–
Ayala Life FGU	50,000	–	50,000	67	–	67
Others	21,128	–	21,128	–	89,111	89,111
	1,315,232	–	1,315,232	1,287,436	89,111	1,376,547
	₱1,398,429	₱–	₱1,398,429	₱1,723,364	₱89,111	₱1,812,475

January 1, 2012

	Amounts owed by related parties			Amounts owed to related parties		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Parent Company:						
AC	₱89,925	₱–	₱89,925	₱29,478	₱–	₱29,478
Associates:						
BLC	50,522	–	50,522	–	–	–
Other related parties:						
Columbus	888,810	–	888,810	988,808	–	988,808
Globe	44,267	–	44,267	–	–	–
BPI	13,748	–	13,748	31,176	9,233	40,409
AGCC	1,835	–	1,835	–	–	–
Fort Bonifacio Holdings, Inc.	–	–	–	–	–	–
MyRegalo.com, Inc.	–	–	–	–	–	–
MWC	–	–	–	–	32	32
AINA	196,825	–	196,825	–	–	–
FBDC	271,096	–	271,096		–	–
Ayala Life FGU	–	–	–	62	–	62
Others	19,842	–	19,842	68	27	95
	1,436,423	–	1,436,423	1,020,114	9,292	1,029,406
	₱1,576,870	₱–	₱1,576,870	₱1,049,592	₱9,292	₱1,058,884

c. Revenue and expenses from related parties follow (amounts in thousands):

Revenue from related parties:

	2013	2012	2011
Parent Company			
AC	**₱2,732**	₱2,435	₱35,489
Associate			
LDC	**41,143**	21,290	–
Other Related Parties			
Laguna AAA Waterworks Corp. (LAWC)	**625,000**	–	–
FBDC	**221,483**	113,471	–
BPI	**162,859**	17,887	15,168
Globe	**51,802**	61,463	67,071
6750 Ayala Avenue JV	**46,511**	–	–
San Lazaro BPO Complex	**22,893**	–	–
Integrated Micro-Electronics, Inc.	**8,847**	7,463	7,632
HR Mall, Inc.	**8,236**	9,516	–
Bonifacio Arts Foundation, Inc.	**2,126**	–	–
MWC	**1,351**	278,097	1,851,582
Michigan Holdings, Inc.	**1,069**	–	–
Laguna Manufacturing Corp.	**708**	679	650
Honda Cars Makati, Inc.	**428**	–	–
Philippine Family Mart CVS, Inc.	**383**	–	–
Innove Communications, Inc.	**232**	221	210
MD Distripark	**184**	115	132
6750 Ayala FGU	**155**	237	–
Cebu Insular Hotels Company Inc.	–	7,964	–
Others	**245**	110	1
	1,154,512	497,223	1,942,446
Total	**₱1,198,387**	₱520,948	₱1,977,935

Expenses from related parties:

	2013	2012	2011
Parent Company			
AC	**₱4,803**	₱40	₱–
Associate			
LDC	–	–	1,817
Other Related Parties			
AGCC	**150,080**	97,456	80,701
MWC	**145,313**	109,284	8,847
FBDC	**129,175**	16,959	6,768
Innove Communications, Inc.	**37,890**	14,950	6,892
Globe	**29,618**	42,911	13,033
AFI	**13,163**	4	–
BPI/MS Insurance Corp.	**9,574**	4,501	–
HR Mall, Inc.	**7,138**	68	–
BPI	**6,617**	10,701	15,817
Bonifacio Arts Foundation, Inc.	**4,762**	–	–
Isuzu Alabang	**1,413**	1,669	1,840
Entertainment Gateway Group Corp.	**76**	–	–
Honda Cars	**49**	–	2,123
	534,868	298,503	136,021
	₱539,671	₱298,543	₱137,838

The revenue earned from associates pertains mostly to income from leasing and development projects.

Receivables from/payables to related parties pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. These are generally trade related, noninterest-bearing and payable within one year.

The following describes the nature of the material transactions of the Group with related parties as of December 31, 2013 and 2012 and January 1, 2012:

- In 2012, the Company provided interest-bearing advances to AINA, an AC subsidiary, for AINA's project in Northern California with outstanding balance of ₱184.7 million as of December 31, 2012 and was paid in full on February 15, 2013.
- The Company, through its subsidiary Avida, advanced ₱107.2 million for selling expenses and transfer costs for AC allocated units on projects under joint development agreement between AC and Avida.
- On February 3, 2011, Amaia Land Corp. (Amaia) entered into a Joint Development Agreement (the Agreement) with AC to develop parcels of land (the Property) located in Brgy. Dagatan, Lipa City, Batangas registered in the name of AC. AC agreed to contribute the Property and Amaia agreed to contribute project development services. In return for their respective contributions, the parties agreed to respectively distribute and allocate to themselves the developed units in the project corresponding to their pro-rata interest therein. In 2012, the parties agreed to cancel the Agreement and sell the property to Amaia. On December 17, 2012, the parties executed a Deed of Absolute Sale wherein AC agreed to sell and Amaia agreed to purchase the Property from AC for ₱50.14 million. As of December 31, 2013, ₱29.8 million is still payable to AC.
- In 2013, LTI sold waterworks property to LAWC, a subsidiary of AC (through AC). Total selling price amounted to ₱625.0 million resulting to a gain of ₱539.1 million. Receivable as of December 31, 2013 amounted to ₱346.1 million.
- The Company advanced ₱888.8 million to Columbus for acquisition of shares in BLC. Columbus, on the other hand, advanced ₱988.8 million to the Company for stocks redemption of ECHI and BHI.
- On June 4, 2012, BG West purchased from FBDC the "The Suites" property in Bonifacio Global City for a total purchase price of ₱761.6 million. On September 17, 2013, another property, "East Gallery Place", was purchased from FBDC for a total consideration of ₱1,518.6 million. As of December 31, 2013, ₱575.9 million and ₱1,149.1 million is due to FBDC for these transactions.

- On November 2012, BG South, a subsidiary of Alveo, entered into a contract with FBDC for the purchase of land in Bonifacio Global City. The Deed of Absolute Sale related to the contract was executed in 2012 for which the purchase price amounted to ₱727.8 million, plus VAT. In 2013, ₱407.0 million, inclusive of VAT, were paid by BGS. Outstanding payable amounts to ₱403.2 million as of December 31, 2013.
- Other receivable from FBDC pertains to management fees which is included under "Other income."
- Payable to BPI pertains to availments of services in the normal course of business.
- The Company, through its subsidiary MDC, has an existing pipe laying contract with MWC, a subsidiary of AC. MDC has reported revenues in the amount of ₱275.5 million and ₱1,851.6 million in 2012 and 2011, respectively from the contract. No revenue is recognized in 2013 since the project was substantially completed in 2012.
- On May 20, 2013, DirectPower and its customers, which are all within the Ayala Group, entered into a Retail Electricity Supply contract wherein DirectPower agreed to supply electricity at a specific rate pursuant to the provisions and implementing rules and regulations of R.A. no. 9136 or the Electric Power Industry Reform Acts of 2001. Among the customers of DirectPower are FBDC, LDC, BPI, San Lazaro BPO Complex and 6750 Ayala Ave.
- Revenue from Globe pertains to development management fee which is included under "Other income".

Compensation of key management personnel by benefit type follows:

	2013	2012	2011
		(In Thousands)	
Short-term employee benefits	**₱155,813**	₱158,514	₱151,381
Post-employment benefits (Note 26)	**25,586**	20,941	15,312
Share-based payments (Note 28)	**83,330**	46,474	13,301
	₱264,729	₱225,929	₱179,994

26. Retirement Plan

The Group has funded, noncontributory tax-qualified defined benefit type of retirement plans (the Plan) covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Plan aims to maintain a full funding, i.e., the Plan's assets fully covered the Plan's liabilities, as measured through generally accepted actuarial methodologies. Such will provide a higher level of assurance that all promised benefits can be paid from existing assets and expected investment returns. The target funded status is within the range of 80% to 100%.

The Group's fund is in the form of a trust fund being maintained by trustee banks such as BPI Asset Management and Trust Group and Deutsche Bank (collectively the "Retirement Fund"). The primary objective of the Retirement Fund is to achieve the highest total rate of return possible, consistent with a prudent level of risk. The investment strategy articulated in the asset allocation policy has been developed in the context of long-term capital market expectations, as well as multi-year projections of actuarial liabilities. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective.

The components of expense (included in manpower costs under "General and administrative expenses") in the consolidated statements of income follow:

	2013	2012	2011
		(In Thousands)	
Current service cost	**₱280,867**	₱148,070	₱187,495
Past service cost	**644**	(6,861)	(7,209)
Net interest cost on benefit Obligation	**26,685**	14,868	7,013
Total pension expense	**₱308,196**	₱156,077	₱187,299

The remeasurement effects recognized in other comprehensive income (included in Equity under "Actuarial loss on pension liabilities") in the consolidated statements of financial position follow:

	2013	2012	2011
		(In Thousands)	
Return (loss) on plan assets (excluding amount included in net interest)	**₱22,128**	(₱185,370)	₱11,003
Actuarial (gain)/loss due to liability experience	**151,572**	(9,320)	9,749
Actuarial loss due to liability assumption changes – demographic	**–**	111,442	25,332
Actuarial (gain)/loss due to liability assumption changes – economic	**216,946**	312,164	(866)
Remeasurements in other comprehensive income	**₱390,646**	₱228,916	₱45,218

The funded status and amounts recognized in the consolidated statement of financial position for the pension plan as of December 31, 2013 and 2012 and January 1, 2012 follow:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Benefit obligations	**₱3,357,650**	₱2,708,557	₱2,090,754
Plan assets	**(2,215,580)**	(2,158,421)	(1,814,862)
Net pension liability position	**₱1,142,070**	₱550,136	₱275,892

As of December 31, 2013 and 2012 and January 1, 2012, pension assets (included under "other noncurrent assets") amounted to ₱5.4 million, ₱36.3 million and ₱23.2 million, respectively, and pension liabilities amounted to ₱1,147.5 million, ₱586.4 million and ₱299.1 million, respectively.

Changes in net defined benefit liability of funded funds in 2013 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income								
	January 1, 2013	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan Assets*	Actuarial (gain)/loss due to liability experience	Actuarial (gain)/loss due to liability assumption changes - demographic	Actuarial (gain)/loss due to liability assumption changes - economic	Net remeasure-ment loss	Contribution by employer	Transfer in /(out)	Settlements	December 31, 2013
Present value of defined benefit obligation	**₱2,708,557**	**₱280,867**	**₱644**	**₱138,826**	**₱420,337**	**(₱102,026)**	**₱–**	**₱151,572**	**₱–**	**₱216,946**	**₱368,518**	**₱–**	**(₱34,455)**	**(₱3,281)**	**₱3,357,650**
Fair value of plan assets	**(2,158,421)**	**–**	**–**	**(112,141)**	**(112,141)**	**102,026**	**22,128**	**–**	**–**	**–**	**22,128**	**(99,544)**	**27,091**	**3,281**	**(2,215,580)**
Net defined benefit liability (asset)	**₱550,136**	**₱280,867**	**₱644**	**₱26,685**	**₱308,196**	**₱–**	**₱22,128**	**₱151,572**	**₱–**	**₱216,946**	**₱390,646**	**(₱99,544)**	**(₱7,364)**	**₱–**	**₱1,142,070**

*excluding amount included in net interest

Changes in net defined benefit liability of funded funds in 2012 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income								
	January 1, 2012	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan assets	Actuarial (gain)/loss due to liability experience	Actuarial (gain)/loss due to liability assumption changes – demographic	Actuarial (gain)/loss due to liability assumption changes - economic	Net remeasure-ment loss	Contribution by employer	Transfer in /(out)	Settlements	December 31, 2012
Present value of defined benefit obligation	₱2,090,754	₱148,070	(₱6,861)	₱131,055	₱272,264	(₱72,084)	₱–	(₱9,320)	₱111,442	₱312,164	₱414,286	₱–	₱3,337	₱–	₱2,708,557
Fair value of plan assets	(1,814,862)	–	–	(116,187)	(116,187)	72,084	(185,370)	–	–	–	(185,370)	(114,086)	–	–	(2,158,421)
Net defined benefit liability (asset)	₱275,892	₱148,070	(₱6,861)	₱14,868	₱156,077	₱–	(₱185,370)	(₱9,320)	₱111,442	₱312,164	₱228,916	(₱114,086)	₱3,337	₱–	₱550,136

*excluding amount included in net interest

Changes in net defined benefit liability of funded funds in 2011 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income								
	January 1, 2011	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan assets	Actuarial (gain)/loss due to liability experience	Actuarial (gain)/loss due to liability assumption changes – demographic	Actuarial gain)/loss due to liability assumption changes - economic	Net remeasure-ment loss	Contribution by employer	Transfer in /(out)	Settlements	December 31, 2011
Present value of defined benefit obligation	₱1,913,730	₱187,495	(₱7,209)	₱130,773	₱311,059	(₱154,971)	₱–	₱9,749	₱25,332	(₱866)	₱34,215	₱–	₱–	(₱13,279)	₱2,090,754
Fair value of plan Assets	(1,677,796)	–		(123,760)	(123,760)	150,102	11,003	–	–	–	11,003	(174,411)	–	–	(1,814,862)
Net defined benefit liability (asset)	₱235,934	₱187,495	(₱7,209)	₱7,013	₱187,299	(₱4,869)	₱11,003	₱9,749	₱25,332	(₱866)	₱45,218	(₱174,411)	₱–	(₱13,279)	₱275,892

*excluding amount included in net interest

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market.

The plan assets have diverse investments and do not have any concentration risk.

The fair value of plan assets by each class as at the end of the reporting period are as follow:

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
Cash and cash equivalents	**₱437,630**	₱49,021	₱285,253
Equity investments			
Financials	**81,674**	80,426	45,772
Industrials	**62,564**	72,191	40,193
Holding Firms	**116,093**	93,971	44,531
Property	**70,342**	81,544	20,556
Services	**50,341**	59,164	20,470
Mining and Oil	**5,339**	16,343	18,624
Unit Investment trust Funds	**160,657**	395,169	431,256
Mutual Funds	**205,260**	143,527	23,213
	752,270	942,335	644,615
Debt investments			
Government securities	**711,216**	764,973	711,394
AAA rated debt securities	**205,589**	228,653	11,129
Not rated debt securities	**77,639**	164,220	162,720
	994,444	1,157,846	885,243
Other assets (liabilities)	**31,236**	9,219	(249)
	₱2,215,580	₱2,158,421	₱1,814,862

The Retirement Fund's investments will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the set benchmark for each asset class. In case of securities, the aggregate holdings of any security may not exceed 10% of the Plan assets. The criteria for including an asset class in the strategic policy include: (a) wide recognition and acceptance among institutional investors; (b) low correlation with other accepted asset classes; and (c) a meaningful performance history. The Group expects to make contributions of ₱204.0 million to its retirement fund in 2014.

The allocations of the fair value of plan assets follow:

	2013	2012	2011
Investments in debt securities	**33.95%**	43.66%	35.52%
Investments in equity securities	**44.88%**	53.64%	48.78%
Others	**21.16%**	2.70%	15.70%

Funds invested in debt securities include government securities, corporate notes and bonds, unit investment trust funds and special deposit accounts. Investments in equity securities consist of investments in PSE listed stocks and unit investment trust funds. Others were in the form of cash and cash equivalents.

The Group's transactions with the fund mainly pertain to contributions, benefit payments and settlements.

As of December 31, 2013 and 2012 and January 1, 2012, the funds include investment in securities to its related parties. Details of the investment per type of security are as follows:

	December 31, 2013			December 31, 2012	January 1, 2012
	Carrying Value	Fair Value	Unrealized Gain	Fair Value	Fair Value
Investments in debt Securities	**₱180,446**	**₱225,394**	**₱44,948**	₱146,583	₱48,022
Investments in equity Securities	**29,124**	**29,124**	**–**	47,811	24,795
Others	**115,851**	**117,543**	**1,692**	76,561	28,472
	₱325,421	**₱372,061**	**₱46,640**	₱270,955	₱101,289

The plan assets include shares of stock of the Company with fair value amounting to ₱26.9 million, ₱40.4 million and ₱0.4 million as of December 31, 2013 and 2012 and January 1, 2012, respectively. The Company gives the trustee bank the discretion to exercise voting rights over the shares. The plan assets include debt securities of the Company amounting to ₱5.05 million, ₱5.05 million and ₱0.3 million as of December 31, 2013 and 2012 and January 1, 2012, respectively. The gains of the fund arising from investments in debt and equity securities of the Company amounted to ₱44.0 million, ₱8.1 million and ₱13,824 respectively.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2013	2012	2011
Discount rates	**4.8 to 5.75%**	5.8 to 7.0%	5.8 to 8.0%
Future salary increases	**5.0 to 8.0%**	6.0 to 8.0%	1.0 to 8.0%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis Points**
	(In Thousands)	
Discount rate	**₱2,059,870**	**(₱2,550,914)**
Salary increase rate	**(2,673,856)**	**1,838,030**

As of December 31, 2013, the carrying value of the plan assets amounted to ₱2,155.5 million.

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

Year ending:	**2013**	2012
December 31, 2013	**₱–**	₱240,217
December 31, 2014	**373,588**	192,427
December 31, 2015	**337,331**	275,235
December 31, 2016	**213,708**	181,902
December 31, 2017	**209,500**	194,271
December 31, 2018 through December 31, 2023	**2,292,914**	1,731,789

The average duration of the defined benefit obligation as at December 31, 2013 is 12.95 years.

27. **Earnings Per Share**

The following tables present information necessary to compute EPS in thousands except EPS:

EPS on net income attributable to equity holders of the Company are as follows:

	2013	2012	2011
		(In Thousands)	
Net income attributable to equity holders of the Company	**₱11,741,764**	₱9,038,328	₱7,140,308
Dividends on preferred stock	**(62,038)**	(45,696)	(60,481)
Net income attributable to equity holders for basic and diluted earnings per share	**₱11,679,726**	₱8,992,632	₱7,079,827
Weighted average number of common shares for basic EPS	**13,979,946**	13,301,128	12,938,672
Dilutive shares arising from stock options	**10,941**	26,858	14,650
Adjusted weighted average number of common shares for diluted EPS	**13,990,887**	13,327,986	12,953,322
Basic EPS	**₱0.84**	₱0.68	₱0.55
Diluted EPS	**₱0.83**	₱0.67	₱0.55

The convertible preferred shares are ignored in the calculation of diluted EPS since the convertibility of the preferred shares will start on the 10th year from the issue date which was in 2012.

28. **Stock Options and Ownership Plans**

The Company has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (ESOWN) covering 2.5% of the Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given 3 years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

ESOP

Movements in the number of stock options outstanding under ESOP are as follows:

Pre-PFRS 2 Options

	2013	**Weighted average exercise price**	2012	Weighted average exercise price	2011	Weighted average exercise price
At January 1	**6,424,068**	**₱4.23**	14,013,031	₱4.34	17,449,397	₱4.26
Exercised	**(2,552,664)**	**3.74**	(4,776,273)	4.47	(2,087,014)	3.80
Cancelled	**(3,871,404)**		(2,812,690)		(1,349,352)	
At December 31	**-**	**₱4.58**	6,424,068	₱4.23	14,013,031	₱4.34

PFRS 2 Options

	2013	**Weighted average exercise price**	2012	Weighted average exercise price	2011	Weighted average exercise price
At January 1	**11,039,666**	**₱4.23**	12,886,159	₱4.34	14,025,648	₱4.26
Exercised	**(661,685)**	**3.74**	(1,846,493)	4.47	(1,139,489)	3.80
At December 31	**10,377,981**	**₱4.58**	11,039,666	₱4.23	12,886,159	₱4.34

The options exercised had a weighted average exercise price of ₱3.74 per share or ₱12.02 million in 2013, ₱4.47 per share or ₱29.6 million in 2012 and ₱3.80 per share or ₱12.30 million in 2011.

The average fair market value of the shares at the exercise date was ₱30.00 per share or about ₱96.4 million in 2013, ₱21.98 per share or about ₱145.5 million in 2012 and ₱15.50 per share or about ₱50.1 million in 2011.

The fair values of stock options granted are estimated as at the date of grant using the Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The fair value of stock options granted under ESOP at
June 30, 2005 grant date, and the assumptions used to determine the fair value of the stock options are as follows:

Weighted average share price	₱8.36
Exercise price	₱6.75
Expected volatility	46.30%
Option life	10 years
Dividend yield	3.21%
Interest rate	12.60%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also necessarily be the actual outcome.

ESOWN
In November 2001, the Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Company introduced a revised ESOWN Plan (the Plan) wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date.
The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the Plan are subject to the Company's right to repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of these options are estimated on the date of grant using the Binomial Tree Model. The Binomial Tree model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk free rate.

For the unsubscribed shares, the employee still has the option to subscribe within seven (7) years.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2013	**WAEP**	2012	WAEP	2011	WAEP
At January 1	**28,236,728**	**₱8.28**	30,873,518	₱9.52	27,412,217	₱8.67
Granted	**15,385,695**		23,032,967		19,670,333	
Subscribed	**(18,793,408)**	**18.74**	(25,669,757)	13.41	(14,817,990)	13.63
Cancelled	**(5,315,967)**		–		(1,391,042)	
At December 31	**19,513,048**	**₱12.25**	28,236,728	₱8.28	30,873,518	₱9.52

The fair values of stock options granted are estimated on the date of grant using the Binomial Tree Model and Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation. Option maturity is four years from the date of grant.

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date				
	March 18, 2013	March 13, 2012	March 31, 2011	March 31, 2010	April 30, 2009
Number of unsubscribed shares	1,713,868	3,967,302	3,843,057	2,298,247	5,418,619
Fair value of each option	₱12.07	₱6.23	₱7.27	₱8.88	₱4.05
Weighted average share price	₱30.0	₱21.98	₱15.5	₱13.00	₱6.40
Exercise price	₱21.45	₱14.69	₱13.2	₱9.74	₱4.96
Expected volatility	36.25%	33.00%	36.25%	43.57%	37.45%
Dividend yield	2.78%	0.9%	1.01%	0.48%	0.85%
Interest rate	1.93%	5.70%	5.60%	5.95%	5.94%

	Grant Date			
	May 15, 2008	September 20, 2007	June 5, 2006	November 16, 2005
Number of unsubscribed shares	15,057,840	494,400	5,270,333	3,036,933
Fair value of each option	₱6.77	₱6.93	₱7.33	₱5.58
Weighted average share price	₱10.50	₱15.00	₱13.00	₱9.30
Exercise price	₱9.74	₱12.00	₱10.35	₱7.03
Expected volatility	32.04%	34.67%	46.03%	46.32%
Dividend yield	0.49%	0.41%	1.56%	0.77%
Interest rate	8.53%	6.93%	10.55%	11.30%

Total expense (included under “General and administrative expenses”) recognized in 2013, 2012 and 2011 in the consolidated statements of income arising from share-based payments amounted to ₱232.7 million, ₱248.4 million and ₱178.8 million, respectively (see Note 22).

29. Financial Assets and Liabilities

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group’s financial assets and liabilities recognized as of December 31, 2013 and 2012 and January 1, 2012:

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
			(In Thousands)			
Financial Assets at FVPL	**₱13,403,497**	**₱13,403,497**	₱713,716	₱713,716	–	–
Loans and Receivables						
Cash and cash equivalents	**27,966,138**	**27,966,138**	32,122,085	32,122,085	27,285,676	27,285,676
Short-term investments	**16,728**	**16,728**	16,503	16,503	194,943	194,943
Accounts and notes receivable:						
Trade:						
Residential development	**33,337,137**	**33,374,023**	24,695,796	24,847,669	14,879,671	15,633,827
Shopping centers	**1,759,198**	**1,759,198**	1,485,342	1,485,342	1,146,563	1,146,563
Construction contracts	**1,805,951**	**1,805,951**	1,361,298	1,361,298	1,871,553	1,871,553
Corporate business	**1,231,185**	**1,231,185**	1,392,757	1,392,757	604,998	604,998
Management fees	**157,202**	**157,202**	87,693	87,693	47,267	47,267
Others	**90,933**	**90,933**	1,474,823	1,474,823	682,582	682,582
Advances to other companies	**8,525,861**	**8,525,861**	6,726,437	6,726,437	3,202,430	3,271,333
Accrued receivable	**2,460,348**	**2,460,348**	2,666,151	2,666,151	2,003,265	2,003,265
Related parties	**1,844,697**	**1,844,697**	1,398,429	1,398,429	1,576,870	1,576,870

(Forward)

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
			(In Thousands)			
Investment in bonds classified as loans and receivables	**₱1,000,000**	**₱1,091,291**	₱1,000,000	₱1,040,801	₱200,000	₱214,518
Receivable from employees	**230,138**	**230,210**	451,340	451,666	451,323	452,116
Total loans and receivables	**80,425,516**	**80,553,765**	74,878,654	75,071,654	54,147,141	54,985,511
AFS financial assets						
Unquoted	**261,115**	**261,115**	261,115	261,115	253,800	253,800
Quoted	**75,146**	**75,146**	211,800	211,800	451,655	451,655
Total AFS financial assets	**336,261**	**336,261**	472,915	472,915	705,455	705,455
Total financial assets	**₱94,165,274**	**₱94,293,523**	₱76,065,285	₱76,258,285	₱54,852,596	₱55,690,966
Other Financial Liabilities						
Current:						
Accounts payable	**₱47,070,269**	**₱47,070,269**	₱31,550,014	₱31,550,014	₱23,758,491	₱23,758,491
Accrued project costs	**11,983,222**	**11,983,222**	12,070,336	12,070,336	7,539,717	7,539,717
Accrued expenses	**6,920,976**	**6,920,976**	3,862,994	3,862,994	2,708,589	2,708,589
Payable to related parties	**3,835,367**	**3,835,367**	1,723,364	1,723,364	1,049,592	1,049,592
Retentions payable	**155,548**	**155,548**	1,229,474	1,229,474	303,142	303,142
Interest payable	**1,335,221**	**1,335,221**	866,670	866,670	481,813	481,813
Accrued salaries and employee benefits	**1,668,323**	**1,668,323**	521,824	521,824	342,491	342,491
Accrued rentals	**677,345**	**677,345**	801,978	801,978	733,208	733,208
Dividends payable	**129,350**	**129,350**	24,587	24,587	12,390	12,390
Short-term debt	**12,407,056**	**12,407,056**	9,779,146	9,779,146	5,306,844	5,306,844
Current portion of long-term debt	**3,542,152**	**3,542,152**	6,591,354	6,591,354	1,861,761	1,861,761
Noncurrent:						
Long-term debt	**85,952,677**	**91,300,966**	58,407,563	59,658,147	31,872,396	33,575,028
Deposits and other noncurrent liabilities	**23,346,234**	**23,350,206**	19,866,280	19,686,645	8,980,548	8,866,323
Total other financial liabilities	**₱199,023,740**	**₱204,376,001**	₱147,295,584	₱148,366,533	₱84,950,982	₱86,539,389

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, short-term investments and current receivables, accounts and other payables, current payables and short term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Financial assets at FVPL - These are investments in fund. Fair value is based on net asset values as of reporting dates.

Noncurrent accounts and notes receivables - The fair values of residential accounts and notes receivable, advances to other companies and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 8.00% to 13.25% as of December 31, 2013 and 2012 and January 1, 2012.

AFS quoted equity securities - Fair values are based on quoted prices published in markets.

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Liabilities - The fair value of noncurrent unquoted instruments (long-term debt and deposits) are estimated using the discounted cash flow methodology using the Group’s current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged 1.82% to 6.13%, 1.80% to 7.18% and 2.88% to 7.60% as of December 31, 2013 and 2012 and January 1, 2012, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Fair Value Hierarchy
As at December 31, 2013, quoted AFS financial assets have been measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Company categorizes trade receivable, investment in bonds classified as loans and receivables, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3 in December 31, 2013. The fair value of these financial instruments determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

Quoted AFS financial assets amounting to ₱75.1 million, ₱211.8 million and ₱452.0 million as of December 31, 2013, 2012 and January 1, 2012, respectively were classified under Level 1 (see Note 10).

There are no AFS financial assets and liabilities which have been classified under the Level 2 or 3 categories.

There have been no reclassifications from Level 1 to Level 2 categories as of December 31, 2013, 2012 and January 1, 2012. Transfers into Level 3 category amounted to ₱713.7 million as of December 31, 2012 (see Note 6).

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash and cash equivalents, short-term investment, financial assets at FVPL, AFS quoted and unquoted equity securities, investments in bonds, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, currency and equity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:
- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

There were no changes in the Group's financial risk management objectives and policies in 2013, 2012 and 2011.

Liquidity risk
Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult for the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at loss due to wider than normal bid-offer spreads.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Group ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

The table summarizes the maturity profile of the Group's financial liabilities at December 31, 2013, 2012 and January 1, 2012 based on contractual undiscounted payments:

December 31, 2013

	< 1 year	**>1 to < 5 years**	**> 5 years**	**Total**
		(In Thousands)		
Accounts and other payables	**₱72,440,400**	**₱–**	**₱–**	**₱72,440,400**
Short-term debt	**12,407,056**	**–**	**–**	**12,407,056**
Long-term debt	**3,542,152**	**31,713,565**	**54,599,082**	**89,854,799**
Deposits and other noncurrent liabilities	**–**	**23,080,110**	**13,383,292**	**36,463,402**
	₱88,389,608	**₱54,793,675**	**₱67,982,374**	**₱211,165,657**
Interest payable	**₱3,136,841**	**₱14,415,402**	**₱10,571,808**	**₱28,124,051**

December 31, 2012

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱51,784,571	₱–	₱–	₱51,784,571
Short-term debt	9,779,146	–	–	9,779,146
Long-term debt	6,591,354	23,454,622	35,160,015	65,205,991
Deposits and other noncurrent liabilities	–	19,847,369	18,911	19,866,280
	₱68,155,071	₱43,301,991	₱35,178,926	₱146,635,988
Interest payable	₱2,526,568	₱11,304,887	₱3,495,181	₱17,326,636

January 1, 2012

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱36,447,620	₱–	₱–	₱36,447,620
Short-term debt	5,306,844	–	–	5,306,844
Long-term debt	1,861,761	25,156,001	6,797,915	33,815,677
Deposits and other noncurrent liabilities	–	8,940,148	40,400	8,980,548
	₱43,616,225	₱34,096,149	₱6,838,315	₱84,550,689
Interest payable	₱1,456,433	₱5,374,001	₱1,661,064	₱8,491,498

Cash and cash equivalents, short-term investments, financial assets at FVPL and treasury bonds and treasury bills classified as AFS financial assets are used for the Group's liquidity requirements. Please refer to the terms and maturity profiles of these financial assets shown on the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. Treasury bonds with maturity of more than a year from December 31, 2013 are marketable securities and could be sold as and when needed, prior to its maturity in order to meet the Group's short-term liquidity needs. As of December 31, 2013, undrawn loan commitments from long-term credit facilities amounted to ₱2,856.0 million.

Credit risk
Credit risk is a risk that counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.

The Group's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVPL and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The Group's maximum exposure to credit risk as of December 31, 2013, 2012 and January 1, 2012 is equal to the carrying values of its financial assets, except for the following:

December 31, 2013

	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
Accounts and notes receivable:				
Trade receivables:				
Residential	**₱33,337,137**	**₱60,103,703**	**₱–**	**₱33,337,137**
Shopping center	**1,759,198**	**2,867,981**	**–**	**1,759,198**
Corporate business	**1,231,185**	**1,498,524**	**–**	**1,231,185**
Receivables from employees	**230,138**	**242,198**	**–**	**230,138**
	₱36,557,658	**₱64,712,406**	**₱–**	**₱36,557,658**

December 31, 2012

	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Accounts and notes receivable:				
Trade receivables:				
Residential	₱24,695,796	₱39,122,942	₱–	₱24,695,796
Shopping center	1,485,342	2,293,896	–	1,485,342
Corporate business	1,392,757	1,675,301	–	1,392,757
Receivables from employees	451,340	605,177	–	451,340
	₱28,025,235	₱43,697,316	₱–	₱28,025,235

January 1, 2012

	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Accounts and notes receivable:				
Trade receivables:				
Residential	₱14,879,671	₱23,698,685	₱–	₱14,879,671
Shopping center	1,146,563	2,062,864	–	1,146,563
Corporate business	604,998	768,496	–	604,998
Receivables from employees	451,323	617,751	–	451,323
	₱17,082,555	₱27,147,796	₱–	₱17,082,555

Given the Group’s diverse base of counterparties, it is not exposed to large concentrations of credit risk.

As of December 31, 2013 and 2012 and January 1, 2012, the aging analysis of past due but not impaired trade receivables presented per class, follow:

December 31, 2013

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
					(In Thousands)				
Trade:									
Residential development	₱31,718,466	₱255,316	₱227,816	₱184,329	₱247,175	₱717,590	₱1,632,226	₱9,555	₱33,360,247
Shopping centers	1,232,784	26,870	82,102	56,918	38,968	393,828	598,686	141,966	1,973,436
Construction contracts	1,149,979	258,300	31,069	50,204	13,457	302,942	655,972	26,546	1,832,497
Corporate business	854,699	96,865	60,151	37,216	22,831	161,806	378,869	–	1,233,568
Management fees	133,918	–	–	2,686	2,727	18,481	23,894	2,048	159,860
Others	79,980	4,677	3,344	125	2,154	10,647	20,947	47,747	148,674
Advances to other companies	7,962,396	243,630	5,023	36,092	7,505	272,797	565,047	166,678	8,694,121
Accrued receivable	2,457,391	1,974	–	–	816	167	2,957	–	2,460,348
Related parties	1,541,369	56,757	29,711	18,242	2,490	196,128	303,328	–	1,844,697
Receivables from employees	189,893	28,684	476	423	1,288	9,374	40,245	–	230,138
Investment in bonds classified as loans and receivables	1,000,000	–	–	–	–	–	–	–	1,000,000
	₱48,320,875	₱973,073	₱439,692	₱386,235	₱339,411	₱2,083,760	₱4,222,171	₱394,540	₱52,937,586

December 31, 2012

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
					(In Thousands)				
Trade:									
Residential development	₱23,571,967	₱453,167	₱197,412	₱145,846	₱92,250	₱248,709	₱1,137,384	₱9,555	₱24,718,906
Shopping centers	849,869	97,063	103,209	40,793	21,033	413,379	675,477	176,004	1,701,350
Construction contracts	665,148	255,816	241,648	162,137	16,045	20,504	696,150	18,781	1,380,079
Corporate business	1,271,686	3,552	17,720	6,077	16,342	77,380	121,071	-	1,392,757
Management fees	71,537	–	6,833	3,420	2,444	4,626	17,323	2,048	90,908
Others	1,471,981	1,346	80	–	–	2,012	3,438	56,521	1,531,940
Advances to other companies	6,203,906	54,580	47,904	34,398	9,521	376,128	522,531	61,969	6,788,406
Accrued receivable	2,601,439	177	54	714	–	63,767	64,712	–	2,666,151
Related parties	1,106,935	3,087	5,058	4,574	8,072	270,703	291,494	–	1,398,429
Receivables from employees	414,350	25,251	439	563	523	10,214	36,990	–	451,340
Investment in bonds classified as loans and receivables	1,000,000	–	–	–	–	–	–	–	1,000,000
	₱39,228,818	₱894,039	₱620,357	₱398,522	₱166,230	₱1,487,422	₱3,566,570`	₱324,878	₱43,120,266

January 1, 2012

	Neither Past Due nor Impaired	Past Due but not Impaired <30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Individually Impaired	Total
					(In Thousands)				
Trade:									
Residential development	₱13,706,853	₱360,022	₱258,231	₱130,057	₱98,938	₱339,125	₱1,186,373	₱9,555	₱14,902,781
Shopping centers	643,158	125,014	68,074	56,816	33,314	253,261	536,479	196,004	1,375,641
Construction contracts	1,315,178	109,201	97,646	48,654	36,171	264,703	556,375	5,927	1,877,480
Corporate business	305,465	137,432	42,571	53,278	11,197	55,055	299,533	-	604,998
Management fees	16,554	–	6,022	1,628	5,106	17,957	30,713	3,215	50,482
Others	5,098	5,985	655,053	2,351	8,729	5,366	677,484	59,303	741,885
Advances to other companies	3,147,181	15,446	18,210	8,056	14,712	10,145	66,569	51,375	3,265,125
Accrued receivable	1,914,541	–	–	–	–	88,724	88,724	–	2,003,265
Related parties	1,505,569	301	112	72	2,359	68,457	71,301	–	1,576,870
Receivables from employees	419,091	18,894	2,940	558	968	8,872	32,232	–	451,323
Investment in bonds classified as loans and receivables	200,000	–	–	–	–	–	–	–	200,000
	₱23,178,688	₱772,295	₱1,148,859	₱301,470	₱211,494	₱1,111,665	₱3,545,783	₱325,379	₱27,049,850

The table below shows the credit quality of the Company's financial assets as of December 31, 2013 and 2012 and January 1, 2012:

December 31, 2013

	Neither Past Due nor Impaired High Grade	Medium Grade	Low Grade	Unrated	Total	Past Due but not Impaired	Individually Impaired	Total
				(In Thousands)				
Cash and cash equivalents	**₱27,917,846**	**₱–**	**₱–**	**₱–**	**₱27,917,846**	**₱–**	**₱–**	**₱27,917,846**
Short-term investments	**16,728**	**–**	**–**	**–**	**16,728**	**–**	**–**	**16,728**
Financial assets at FVPL	**13,403,497**	**–**	**–**	**–**	**13,403,497**	**–**	**–**	**13,403,497**
Accounts and notes receivables:								
Trade:								
Residential development	**29,146,745**	**1,207,819**	**1,363,902**	**–**	**31,718,466**	**1,632,226**	**9,555**	**33,360,247**
Shopping centers	**1,130,535**	**37,837**	**64,412**	**–**	**1,232,784**	**598,686**	**141,966**	**1,973,436**
Construction contracts	**1,149,979**	**–**	**–**	**–**	**1,149,979**	**655,972**	**26,546**	**1,832,497**
Corporate business	**851,506**	**3,111**	**82**	**–**	**854,699**	**378,869**	–	**1,233,568**
Management fees	**129,126**	**2,836**	**1,956**	–	**133,918**	**23,894**	**2,048**	**159,860**
Others	**79,945**	**35**	**–**	–	**79,980**	**20,947**	**47,747**	**148,674**

(Forward)

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	**Medium Grade**	**Low Grade**	**Unrated**	**Total**	**not Impaired**	**Impaired**	**Total**
				(In Thousands)				
Advances to other companies	**₱7,761,047**	**₱–**	**₱201,349**	**₱–**	**₱7,962,396**	**₱565,047**	**₱166,678**	**₱8,694,121**
Accrued receivable	**2,410,341**	**13,652**	**33,398**	**–**	**2,457,391**	**2,957**	**–**	**2,460,348**
Related parties	**1,460,299**	**72,982**	**8,088**	**–**	**1,541,369**	**303,328**	**–**	**1,844,697**
Receivable from employees	**189,893**	**–**	**–**	**–**	**189,893**	**40,245**	**–**	**230,138**
Investment in bonds classified as loans and receivables	**1,000,000**	**–**	**–**	**–**	**1,000,000**	**–**	**–**	**1,000,000**
AFS financial assets:								**–**
Unquoted	**–**	**–**	**–**	**261,115**	**261,115**	**–**	**–**	**261,115**
Quoted	**75,146**	**–**	**–**	**–**	**75,146**	**–**	**–**	**75,146**
	₱86,722,633	**₱1,338,272**	**₱1,673,187**	**₱261,115**	**₱89,995,207**	**₱4,222,171**	**₱394,540**	**₱94,611,948**

December 31, 2012

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
				(In Thousands)				
Cash and cash equivalents	₱32,070,475	₱–	₱–	₱–	₱32,070,475	₱–	₱–	₱32,070,475
Short-term investments	16,503	–	–	–	16,503	–	–	16,503
Financial assets at FVPL	713,716	–	–	–	713,716	–	–	713,716
Accounts and notes receivables:								
Trade:								
Residential development	21,561,915	996,808	1,013,244	–	23,571,967	1,137,384	9,555	24,718,906
Shopping centers	736,713	56,638	56,518	–	849,869	675,477	176,004	1,701,350
Construction contracts	665,148	–	–	–	665,148	696,150	18,781	1,380,079
Corporate business	1,239,702	23,802	8,182	–	1,271,686	121,071	–	1,392,757
Management fees	56,255	8,205	7,077	–	71,537	17,323	2,048	90,908
Others	1,471,820	161	–	–	1,471,981	3,438	56,521	1,531,940
Advances to other companies	6,065,969	2,703	135,234	–	6,203,906	522,531	61,969	6,788,406
Accrued receivable	2,601,439	–	–	–	2,601,439	64,712	–	2,666,151
Related parties	1,076,346	6,391	24,198	–	1,106,935	291,494	–	1,398,429
Receivable from employees	329,005	–	85,345	–	414,350	36,990	–	451,340
Investment in bonds classified as loans and receivables	1,000,000	–	–	–	1,000,000	–	–	1,000,000
AFS financial assets:								
Unquoted	–	–	–	261,115	261,115	–	–	261,115
Quoted	211,800	–	–	–	211,800	–	–	211,800
	₱69,816,806	₱1,094,708	₱1,329,798	₱261,115	₱72,502,427	₱3,566,570	₱324,878	₱76,393,875

January 1, 2012

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
				(In Thousands)				
Cash and cash equivalents	₱27,182,912	₱–	₱–	₱–	₱27,182,912	₱–	₱–	₱27,182,912
Short-term investments	194,943	–	–	–	194,943	–	–	194,943
Financial assets at FVPL	–	–	–	–	–	–	–	–
Accounts and notes receivables:								
Trade:								
Residential development	11,579,944	1,317,086	809,823	–	13,706,853	1,186,373	9,555	14,902,781
Shopping centers	475,202	132,027	35,929	–	643,158	536,479	196,004	1,375,641
Construction contracts	1,315,178	–	–	–	1,315,178	556,375	5,927	1,877,480
Corporate business	289,505	15,918	42	–	305,465	299,533	—	604,998
Management fees	11,064	–	5,490	–	16,554	30,713	3,215	50,482
Others	5,098	–	-	–	5,098	677,484	59,303	741,885
Advances to other companies	2,864,263	3,755	279,163	–	3,147,181	66,569	51,375	3,265,125
Accrued receivable	1,914,298	–	243		1,914,541	88,724	–	2,003,265
Related parties	986,585	–	518,984	–	1,505,569	71,301		1,576,870
Receivable from employees	228,905	–	190,186	–	419,091	32,232	–	451,323
Investment in bonds classified as loans and receivables	200,000	–	–	–	200,000	–	–	200,000
AFS financial assets:								
Unquoted	–	–	–	253,800	253,800	–	–	253,800
Quoted	451,655	–		–	451,655	–	–	451,655
	₱47,699,552	1,468,786	1,839,860	₱253,800	₱51,261,998	₱3,545,783	₱325,379	₱55,133,160

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short-term investments, financial assets at FVPL, AFS quoted securities - based on the nature of the counterparty and the Group's internal rating system

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment

The unquoted AFS financial assets are unrated.

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

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio. The Company's ratio of fixed to floating rate debt stood at around 65:35, 54:46 and 58:42 as of December 31, 2013 and 2012 and January 1, 2012, respectively.

The following tables demonstrate the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2013 and 2012 and January 1, 2012, with all variables held constant, (through the impact on floating rate borrowings and changes in fair value of financial assets at FVPL and AFS financial assets):

December 31, 2013

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
Floating rate borrowings	**(₱355,546)**	**₱355,546**

	Effect on equity Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
AFS financial assets	**(₱526)**	**₱526**

December 31, 2012

	Effect on income before income tax Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis points
	(In Thousands)	
Floating rate borrowings	(₱339,716)	₱339,716

	Effect on equity Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis points
	(In Thousands)	
AFS financial assets	(₱1,483)	₱1,483

January 1, 2012

Change in basis points	Effect on income before income tax Increase (decrease) + 100 basis points	- 100 basis points
	(In Thousands)	
Floating rate borrowings	(₱165,317)	₱165,317

Change in basis points	Effect on equity Increase (decrease) + 100 basis points	- 100 basis points
	(In Thousands)	
AFS financial assets	(₱3,164)	₱3,164

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding nominal amounts and carrying values are shown in the following table (in thousands):

December 31, 2013

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱27,917,846	₱27,917,846	₱–	₱–	₱27,917,846
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	16,728	16,728	–	–	16,728
Financial assets at FVPL	Fixed at the date of investment or revaluation cut-off	Various	13,403,497	12,794,654	608,843	–	13,403,497
Accounts and notes receivable	Fixed at the date of sale	Date of sale	18,128,122	7,394,875	8,808,301	225,144	16,428,320
			₱59,466,193	₱48,124,103	₱9,417,144	₱225,144	₱57,766,391
Company							
Short-term debt - US Dollar	Variable at 1.200% to 1.300%	Monthly	₱1,679,905	₱1,679,905	₱–	₱–	₱1,679,905
Short-term debt – Peso	Variable	Monthly	2,220,000	2,220,000	–	–	2,220,000
Long-term debt							
Fixed							
Peso	Fixed at 7.750%	10 years	100,000	–	100,000	–	100,000
Peso	Fixed at 8.900%	7 years	1,330,000	13,300	53,200	1,263,500	1,330,000
Peso	Fixed at 5.000%	3 years	620,195	620,195	–	–	620,195
Peso	Fixed at 5.000%	3 years	992,460	–	992,460	–	992,460
Peso	Fixed at 5.000%	3 years	1,999,650	–	1,999,650	–	1,999,650
Peso	Fixed at 5.625%	7 years	9,350,000	–	–	9,281,120	9,281,120
Peso	Fixed at 4.500 to 6.000%	10 years	5,650,000	–	–	5,608,377	5,608,377
Peso	Fixed at 5.625% to 7.500%	5, 10 and 15 years	8,050,000	37,500	3,825,982	4,140,326	8,003,808
Peso	Fixed at 5.000%	10.5 years	15,000,000	–	–	14,864,568	14,864,568
Peso	Fixed at 4.625%	7 years	4,000,000	–	–	3,964,465	3,964,465
Peso	Fixed at 6.000%	20 years	2,000,000	–	–	1,981,840	1,981,840
Peso	Fixed at 4.500%	10 years	5,000,000	–	200,000	4,800,000	5,000,000
Floating							
USD	Variable at 2.393%	6 years	2,598,661	–	51,973	2,546,688	2,598,661
Peso	Variable at 1.060% to 2.100%	10.25 years	1,000,000	–	1,000,000	–	1,000,000
Subsidiaries							
Short-term debt							
Peso	Variable	Monthly	8,507,151	8,507,151	–	–	8,507,151
Long-term debt							
Fixed							
Peso	Fixed at 3.627% to 10.211%	5 to 7 years	16,622,723	1,555,363	9,755,931	5,308,911	16,620,205
Floating							
Peso	Variable at 0.684% to 4.750%	3 months	10,546,304	975,898	9,350,526	208,250	10,534,674
US Dollar	Variable at 0.992% to 2.239%		4,994,806	339,896	4,355,244	299,666	4,994,806
			₱102,261,855	₱15,949,208	₱31,684,966	₱54,267,711	₱101,901,885

December 31, 2012

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱32,070,475	₱32,070,475	₱–	₱–	₱32,070,475
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	16,503	16,503	–	–	16,503
Financial assets at FVPL	Fixed at the date of investment or revaluation cut-off	Various	713,716	–	713,716	–	713,716
Accounts and notes receivable	Fixed at the date of sale	Date of sale	12,001,093	4,839,928	5,765,012	1,147,356	11,752,296
			₱44,801,787	₱36,926,906	₱6,478,728	₱1,147,356	₱44,552,990
Company							
Short-term debt - US Dollar	Variable at 1.050% to 1.250%	Monthly	₱1,849,964	₱1,849,964	₱–	₱–	₱1,849,964
Short-term debt – Peso	Variable	Monthly	850,000	850,000	–	–	850,000
Long-term debt							
Fixed							
Peso	Fixed at 7.375% to 7.75%	7 and 10 years	295,000	195,000	100,000	–	295,000
Peso	Fixed at 7.75% to 8.90%	5, 7 and 10 years	2,380,000	–	1,050,000	1,330,000	2,380,000
Peso	Fixed at 8.75%	5 years	4,000,000	4,000,000	–	–	4,000,000
Peso	Fixed at 5%	3 years	630,680	630,680	–	–	630,680
Peso	Fixed at 5%	3 years	397,705	–	397,705	–	397,705
Peso	Fixed at 5%	3 years	999,950	–	999,950	–	999,950
Peso	Fixed at 5.625%	7 years	9,350,000	–	–	9,269,696	9,269,696
Peso	Fixed at 6.00%	10 years	5,650,000	–	–	5,599,719	5,599,719
Peso	Fixed at 5.625% to 7.50%	5, 10 and 15 years	10,000,000	–	5,780,458	4,154,506	9,934,964
Peso	Fixed at 4.50%	10 years	3,500,000	–	–	3,500,000	3,500,000
Floating							
USD	Variable at 2.4753% over 3-month LIBOR	6 years	2,402,862	–	–	2,402,862	2,402,862
Peso	Variable at 4.000% over 91-day DR1	10.25 years	1,000,000	–	1,000,000	–	1,000,000
Subsidiaries							
Short-term debt							
Peso	Variable at prevailing market rates	Monthly, quarterly	7,043,314	7,043,314	–	–	7,043,314
US Dollar	Variable at prevailing market rates	Monthly, quarterly	35,868	35,868	–	–	35,868
Long-term debt							
Fixed							
Peso	Fixed at 4.50% to 10.211%	5 to 7 years	7,146,910	738,494	4,150,395	2,251,475	7,140,364
Floating							
Peso	Variable at 0.50% to 1.125% over 91-day PDST-R1/R2	3 months	13,325,334	1,027,180	8,828,196	3,465,050	13,320,426
US Dollar	Variable at 0.75% to 1.70% over 3-month LIBOR	Quarterly	4,127,550	–	1,130,922	2,996,628	4,127,550
			₱74,985,137	₱16,370,500	₱23,437,626	₱34,969,936	₱74,778,062

January 1, 2012

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱27,182,912	₱27,182,912	₱–	₱–	₱27,182,912
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	194,943	194,943	–	–	194,943
Financial assets at FVPL	Fixed at the date of investment or revaluation cut-off	Various	–	–	–	–	–
Accounts and notes receivable	Fixed at the date of sale	Date of sale	13,990,171	4,978,814	5,930,444	351,585	11,260,843
			₱41,368,026	₱32,356,669	₱5,930,444	₱351,585	₱38,638,698
Company							
Short-term debt - US Dollar	Variable at prevailing market rates	Monthly	₱1,471,538	₱ 1,471,538	₱–	₱–	₱1,471,538
Long-term debt							
Fixed							
Peso	Fixed at 7.375% to 7.75%	7 and 10 years	295,000	–	295,000	–	295,000
Peso	Fixed at 7.75% to 8.90%	5, 7 and 10 years	2,380,000	–	1,103,200	1,276,800	2,380,000
Peso	Fixed at 8.75%	5 years	4,000,000	–	4,000,000	–	4,000,000
Peso	Fixed at 5%	3 years	325,390	325,390	–	–	325,390
Peso	Fixed at 5%	3 years	417,900	–	417,900	–	417,900
Peso	Fixed at 5%	3 years	173,715	–	173,715	–	173,715
Peso	Fixed at 5.625% to 7.50%	5, 10 and 15 years	10,000,000	–	5,728,973	4,193,832	9,922,805
Floating							
Peso	Variable at prevailing market rates	7 years	1,000,000	–	1,000,000	–	1,000,000
Subsidiaries							
Short-term debt							
Peso	Variable at prevailing market rates	Monthly, quarterly	3,797,000	3,797,000	–	–	3,797,000
US Dollar	Variable at prevailing market rates	Monthly, quarterly	38,305	38,305	–	–	38,305
Long-term debt							
Fixed							
Peso	Fixed at 4.50% to 10.211%	5 to 7 years	4,988,769	901,261	3,219,491	877,975	4,998,727
Floating							
Peso	Variable at 0.50% to 2% over 91-day PDST-R1/R2	3 months	9,983,782	635,110	8,915,251	429,140	9,979,501
US Dollar	Variable at 1.3% over 3-month LIBOR		241,120	–	241,120	–	241,120
			₱39,112,519	₱7,168,604	₱25,094,650	₱6,777,747	₱39,041,001

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. The Group's placements in foreign currencies and the amount of foreign currency-denominated debt are minimal. As such, the Group's foreign currency risk is minimal.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2013 and 2012 and January 1, 2012:

	December 31				January 1,	
	2013		2012		2012	
	US Dollar	**Php Equivalent**	US Dollar	Php Equivalent	US Dollar	Php Equivalent
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	**$25,089**	**₱1,113,826**	$30,342	₱1,245,539	$25,236	₱1,106,346
Short-term investments	**–**	**–**	–	–	2,266	99,341
Financial Assets at FVPL	**–**	**–**	16,990	697,455		
Accounts and notes receivable - net	**8,330**	**369,810**	17,550	720,428	4,472	196,052
Total	**$33,419**	**₱1,483,636**	$64,882	₱2,663,422	$31,974	₱1,401,739
Financial Liabilities						
Accounts and other payables	**$10,772**	**478,223**	24,825	1,019,066	1,008	44,178
Short-term debt	**37,840**	**1,679,905**	45,940	1,885,831	34,440	1,509,844
Long-term debt	**59,917**	**2,660,015**	159,084	6,530,412	7,670	336,253
Other noncurrent liabilities	**267**	**11,853**	744	30,541	978	42,877
Total	**$108,796**	**₱4,829,996**	$230,593	₱9,465,850	$44,096	₱1,933,152
Net foreign currency denominated financial instruments	**($75,377)**	**(₱3,346,360)**	($165,711)	(₱6,802,428)	($12,122)	(₱531,413)

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rates used were ₱44.40 to US$1.00, ₱41.05 to US$1.00 and ₱43.84 to US$1.00, the Philippine Peso - US dollar exchange rates as of December 31, 2013, 2012 and January 1, 2012, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Effect on profit before tax Increase (decrease)		
	December 31		January 1,
Change in exchange rate	**2013**	2012	2012
		(In Thousands)	
₱1.00	(₱75,377)	(₱165,711)	(₱12,122)
(₱1.00)	75,377	165,711	12,122

There is no other impact on the Group's equity other than those already affecting the net income.

Equity price risk
Quoted AFS financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's equity (in thousands).

	Effect on equity Increase (decrease)		
	December 31		January 1,
Change in PSEi index	**2013**	2012	2012
		(In Thousands)	
+5%	**₱–**	₱1,217	₱622
-5%	**–**	(1,217)	(622)

Quoted financial assets at FVPL pertains to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

All other variables held constant, with a duration of 0.04 year, the fair value of the Group's investment in the Fund, net income and equity will increase (decrease) by ₱5.2 million for a 100 basis points decrease (increase), respectively, in interest rates.

30. **Segment Information**

The industry segments where the Group and its associates and joint ventures operate follow:

- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Corporate businesses - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Residential developments - sale of high-end and upper middle-income residential lots and units, affordable housing units and lots, economic housing and leisure community developments; lease of residential developments under joint venture
- Strategic landbank management and Visayas-Mindanao - acquisition, development and sale of large-scale, mixed-use, masterplanned communities; sale of override units or the Company's share in properties made available to subsidiaries for development; lease of gas station sites and carparks outside Ayala Center. This also includes development, sale and lease, shopping centers and residential developments of the Group's product offerings in key cities in the Visayas and Mindanao regions
- Construction - land development and construction of the Group and third-party projects
- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- Property management - facilities management of the Group and third-party projects
- Others - other income from investment activities and sale of non-core assets.

The Company and its subsidiaries generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

Business segments

The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the three years in the period ended December 31 (in millions):

2013

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Hotels and Resorts	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Sales to external customers	₱10,027	₱3,357	₱41,398	₱11,553	₱4,501	₱4,017	₱1,484	₱–	₱–	₱76,337
Intersegments sales	428	–	823	5	18,454	–	1,354	–	(21,064)	–
Equity in net earnings of associates and joint ventures	(18)	–	–	625	–	–	–	(57)	–	550
Total revenue	10,437	3,357	42,221	12,183	22,955	4,017	2,838	(57)	(21,064)	76,887
Operating expenses	7,315	1,982	31,246	8,939	20,878	3,702	2,825	1,777	(20,896)	57,768
Operating profit	3,122	1,375	10,975	3,244	2,077	315	13	(1,834)	(168)	19,119
Interest and investment income										3,538
Interest and other financing charges										(4,116)
Other income										1,098
Other charges										(679)
Provision for income tax										(4,655)
Net income										₱14,305
Net income attributable to:										
Equity holders of Ayala Land, Inc.										₱11,742
Non-controlling interests										2,563
										₱14,305
Other Information										
Segment assets	₱68,130	₱29,585	₱172,390	₱88,874	₱28,891	₱20,636	₱4,214	₱24,436	(₱126,162)	₱310,994
Investment in associates and joint ventures	430	–	58	7,337	–	–	–	1,494	–	9,319
	68,560	29,585	172,448	96,211	28,891	20,636	4,214	25,930	(126,162)	320,313
Deferred tax assets	228	82	1,973	245	–	171	31	2,431	-	5,161
Total assets	₱68,788	₱29,667	₱174,421	₱96,456	₱28,891	₱20,807	₱4,245	₱28,361	(₱126,162)	₱325,474
Segment liabilities	₱20,810	₱10,277	₱97,010	₱49,053	₱26,131	₱11,783	₱3,203	₱42,029	(₱48,227)	₱212,069
Deferred tax liabilities	20	114	512	121	–	480	–	–	60	1,307
Total liabilities	₱20,830	₱10,391	₱97,522	₱49,174	₱26,131	₱12,263	₱3,203	₱42,029	(₱48,167)	₱213,376
Segment additions to:										
Property and equipment	₱289	₱42	₱468	₱36	₱809	₱4,423	₱5,289	₱238	₱–	₱11,594
Investment properties	₱3,443	₱2,177	₱16	₱59	₱–	₱–	₱–	₱–	₱–	₱5,695
Depreciation and amortization	₱1,490	₱578	₱178	₱598	₱390	₱429	₱74	₱111	₱–	₱3,848
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱40	₱–	₱–	₱–	₱13	₱–	₱–	₱143	₱–	₱196

2012

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Hotels and Resorts	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Sales to external customers	₱9,395	₱2,761	₱29,308	₱5,293	₱4,356	₱2,452	₱1,140	₱–	₱–	₱54,705
Intersegments sales	622	–	811	186	14,888	–	393	–	(16,900)	–
Equity in net earnings of associates and joint ventures	2	–	–	502	–	–	–	32	–	536
Total revenue	10,019	2,761	30,119	5,981	19,244	2,452	1,533	32	(16,900)	55,241
Operating expenses	5,505	1,329	24,692	3,503	17,927	1,928	1,315	1,361	(15,807)	41,753
Operating profit	4,514	1,432	5,427	2,478	1,317	524	218	(1,329)	(1,093)	13,488
Interest and investment income										4,278
Interest and other financing charges										(3,265)
Other income										413
Other charges										(367)
Provision for income tax										(3,471)
Net income										₱11,076
Net income attributable to:										
Equity holders of Ayala Land, Inc.										₱9,038
Non-controlling interests										2,038
										₱11,076
Other Information										
Segment assets	₱57,007	₱25,321	₱133,075	₱38,897	₱20,886	₱18,596	₱2,196	₱33,678	(₱86,444)	₱243,212
Investment in associates and joint ventures	193	–	7	7,419	–	–	–	694	–	8,313
	57,200	25,321	133,082	46,316	20,886	18,596	2,196	34,372	(86,444)	251,525
Deferred tax assets	174	65	441	229	14	57	13	1,002	1,030	3,025
Total assets	₱57,374	₱25,386	₱133,523	₱46,545	₱20,900	₱18,653	₱2,209	₱35,374	(₱85,414)	₱254,550
Segment liabilities	₱27,030	₱9,339	₱57,473	₱3,676	₱18,632	₱11,069	₱1,240	₱54,829	(₱25,757)	₱157,531
Deferred tax liabilities	-	43	306	47	–	430	–	–	218	1,044
Total liabilities	₱27,030	₱9,382	₱57,779	₱3,723	₱18,632	₱11,499	₱1,240	₱54,829	(₱25,539)	₱158,575
Segment additions to:										
Property and equipment	₱1,028	₱2	₱933	₱129	₱3,221	₱1,138	₱1,011	₱27	₱–	₱7,489
Investment properties	₱4,093	₱3,336	₱–	₱748	₱–	₱–	₱52	₱–	₱–	₱8,229
Depreciation and amortization	₱966	₱570	₱267	₱11	₱137	₱312	₱52	₱112	₱–	₱2,427
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱59	₱–	₱–	₱–	₱13	₱–	₱–	₱143	₱–	₱215

2011

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Hotels and Resorts	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Sales to external customers	₱7,348	₱2,550	₱23,373	₱3,060	₱5,151	₱2,244	₱1,112	₱–	₱–	₱44,838
Intersegments sales	459	–	367	100	8,620	–	209	–	(9,755)	–
Equity in net earnings of associates and joint ventures	5	–	–	354	–	–	–	30	–	389
Total revenue	7,812	2,550	23,739	3,514	13,771	2,244	1,321	30	(9,755)	45,227
Operating expenses	4,608	1,295	17,682	2,218	13,052	1,568	1,130	1,446	(9,244)	33,755
Operating profit	3,204	3,204	3,204	3,204	3,204	3,204	3,204	3,204	3,204	11,472
Interest and investment income										1,695
Interest and other financing charges										(2,099)
Other income										746
Other charges										(218)
Provision for income tax										(3,007)
Net income										₱8,589
Net income attributable to:										
Equity holders of Ayala Land, Inc.										₱7,140
Non-controlling interests										1,449
										₱8,589
Other Information										
Segment assets	₱37,105	₱22,475	₱97,095	₱11,920	₱15,795	₱6,391	₱1,065	₱14,173	(₱49,770)	₱156,249
Investment in associates and joint ventures	50	–	–	6,477	–	–	–	1,481	–	8,008
	37,155	22,475	97,095	18,397	15,795	6,391	1,065	15,654	(49,770)	164,257
Deferred tax assets	142	32	123	253	14	13	12	1,425	128	2,142
Total assets	₱37,297	₱22,507	₱97,219	₱18,650	₱15,809	₱6,404	₱1,077	₱17,079	(₱49,642)	₱166,399
Segment liabilities	₱17,606	₱7,777	₱33,344	₱3,517	₱13,623	₱2,030	₱427	₱21,860	(₱10,527)	₱89,657
Deferred tax liabilities	–	19	357	4	–	–	–	437	(55)	762
Total liabilities	₱17,606	₱7,796	₱33,701	₱3,521	₱13,623	₱2,030	₱427	₱22,297	(₱10,582)	₱90,419
Segment additions to:										
Property and equipment	₱117	₱95	₱92	₱5	₱404	₱1,358	₱209	₱54	₱–	₱2,334
Investment properties	₱5,234	₱1,611	₱433	₱–	₱–	₱–	₱–	₱–	₱–	₱7,278
Depreciation and amortization	₱1,396	₱534	₱289	₱60	₱143	₱193	₱20	₱269	₱–	₱2,904
Non-cash expenses other than depreciation and amortization	₱19	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱2	₱–	₱6	₱–	₱–	₱–	₱–	₱44	₱–	₱52

31. **Registration with Philippine Economic Zone Authority (PEZA)**

LTI was registered with PEZA on October 27, 1999 as a non-pioneer “ecozone developer/operator.” The PEZA registration entitled the subsidiary to a four-year income tax holiday from the start of its commercial operations. At the expiration of its four-year tax holiday, the subsidiary pays income tax at the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

Likewise, Ceci also became registered with PEZA in 2007 as the “developer/operator” of the Lakeside Ecozone.

Glensworth, a wholly-owned subsidiary of APPCo, was registered with PEZA as an Economic Zone Information IT Facility Enterprise last December 14, 2007 to construct a 4-storey building at the Lakeside Evozone, Barangay Sta. Rosa, Laguna for lease to PEZA-registered enterprises. As a PEZA-registered enterprise, the Glensworth is entitled to incentives which, among others, include a lower income tax rate of 5% on gross income in lieu of all national and local taxes.

HPC, a wholly-owned subsidiary of the Company, was registered with PEZA last January 29, 2009 as an Ecozone Facilities Enterprise at the John Hay Special Tourism Economic Zone located in Baguio.

Sunnyfield, a wholly-owned subsidiary of the Company, was registered with PEZA last December 17, 2010 as a Developer/Operator of Iloilo Technohub.

Westview, a wholly-owned subsidiary of the Company, was registered with PEZA last December 17, 2010 as an Ecozone Facilities Enterprise at the Ayala Northpoint Technohub located in Bacolod.

CPVDC was registered with PEZA on April 6, 2000 as an Information Technology (IT) Park developer or operator and was granted approval by PEZA on October 10, 2001. The PEZA registration entitled CPVDC to a four-year tax holiday from the start of approval of registered activities. At the expiration of its four-year tax holiday, CPVDC pays income tax at the special rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

32. **Leases**

Operating Leases - Group as Lessor
The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Group follow:

	2013	2012	2011
	(In Thousands)		
Within one year	**₱3,208,817**	₱2,625,577	₱2,281,164
After one year but not more than five years	**7,470,179**	7,129,431	5,758,126
More than five years	**3,160,333**	3,789,210	2,274,202
	₱13,839,329	₱13,544,218	₱10,313,492

Operating Leases - Group as Lessee
The Group entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals payable under noncancellable operating leases of the Group follow:

	2013	2012	2011
	(In Thousands)		
Within one year	**₱589,931**	₱403,548	₱249,023
After one year but not more than five years	**1,786,022**	1,135,107	1,014,255
More than five years	**11,558,699**	9,063,185	8,767,092
	₱13,934,652	₱10,601,840	₱10,030,370

On January 28, 2011, the Board of Regents of the University of the Philippines awarded to the Company the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for another 25 years subject to mutual agreement of the parties. The lease payments shall commence as soon as sales are registered by the merchants.

A retail establishment with about 63,000 square meters of gross leasable area and an office/BPO building about 8,000 square meters of gross leasable area shall be constructed on the property. For the year ended December 31, 2012, lease payments have been capitalized as construction was still in progress. For the year ended December 31, 2013, Phase 1a (with gross leasable area of 5,000 sqm.) of the retail establishment has commenced operations on September 30, 2013.

On December 18, 2013, the Company has donated the New UPIS facilities at a total cost of ₱224.7 million and the rehabilitated and upgraded UPIS "K-2" and "3-6" Buildings at a cost of ₱40.0 million to the University of the Philippines.

33. Interest in a Joint Operation

MDC has a 51% interest in Makati Development Corporation - First Balfour, Inc. Joint Venture (the Joint Venture), a joint operation whose purpose is to design and build St. Luke's Medical Center (the Project) in Fort Bonifacio Global City, Taguig. The application of PFRS 11 does not have significant impact on the Group's accounting of its interest in a joint operation since it already reported its share in interest in a joint operation using proportionate consolidation.

The Project, which started on January 31, 2007, is a world-class medical facility comprising, more or less, of a 611-bed hospital and a 378-unit medical office building, with an approximate gross floor area of 154,000 square meters, which meets international standards, and all standards and guidelines of applicable regulatory codes of the Philippines and complies with the criteria of the Environment of Care of the Joint Commission International Accreditation. The project was completed on October 30, 2009. Activities in 2011 to 2013 mainly pertain to winding down operations and punch listing works.

The share of MDC in the net assets and liabilities of the Joint Venture at December 31, 2013 and 2012 and January 1, 2012 which are included in the consolidated financial statements follow:

	2013	2012	2011
		(In Thousands)	
Current assets:			
Cash and cash equivalents	**₱65,045**	₱33,217	₱24,622
Amounts due from customers for contract work	**–**	10,582	10,582
Other current assets	**51,698**	55,317	54,809
Total assets	**₱116,743**	₱99,116	₱90,013
Total liabilities	**₱18,986**	₱49,330	₱66,968

The following is the share of the MDC on the net income of the Joint Venture:

	2013	2012	2011
	(In Thousands)		
Revenue from construction contracts	**₱–**	₱–	₱2,069
Contract costs	**(1,031)**	(994)	(9,687)
Interest and other income	**946**	1,175	2,490
Loss before income tax	**(85)**	181	(5,128)
Provision for income tax	**85**	(181)	(148)
Net loss	**₱–**	₱–	(₱5,276)

The Joint Venture's Management Board declared and paid cash dividends amounting to ₱185.3 million in 2010. Based on 51% share, MDC received ₱94.5 million cash dividends in 2010.

Provision for income tax pertains to the final tax on interest income.

34. Long-term Commitments and Contingencies

Commitment
On April 6, 2010, the Company and Manila Water Company (MWC) entered into a Memorandum of Agreement to establish a water utility services company which will manage and operate all water systems in NUVALI, as well as, adjacent projects of the Company in Laguna. The joint venture between the Company and MWC will be incorporated in 2014.

During the past 3 years, the required activities according to the MOA between MWC and the Company were accomplished- like auditing and re-design of the existing water/sewerage assets of several NUVALI and the Company projects in Laguna, water system design reviews and repairs, and developing plans and proposals for the expansion of the area coverage of the water and sewerage system. MWC is currently designing the cost plan and the target completion of the project has not yet been established. However, it is expected that the water and sewer system development shall happen simultaneous with NUVALI's expansion plan. The project will be undertaken in phases and in relation to expected NUVALI build out. The project shall start this year upon the signing of the JVA. MWC is currently re-estimating the project cost because of NUVALI expansion.

In 2009, MWC and the Provincial Government of Laguna formed a joint venture company, Laguna AAA Water Corporation (LAWC). LAWC is a water services company that has concession in the cities of Sta. Rosa, Binan and Cabuyao.

On October 16, 2009, the Company has executed a lease agreement with the Subic Bay Metropolitan Authority, for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone, located between the two main gates linking the Freeport Zone to Olongapo City. The lease commitment is expected to be completed in 2060 after the 50-year lease term. The lease may be renewed for another 25 years upon mutual agreement of the parties. The Company offered to develop a mall with an estimated gross leasable area of 38,000 square meters. On March 25, 2010, the Company entered into an assignment of lease agreement whereby the Company assigned its rights and obligations granted to or imposed under the lease agreement to its subsidiary, SBTCI. The lease payments to SBMA started from the commencement of the commercial operation of the mall last April 26, 2012 which was completed during the same period.

The Company has an existing contract with BCDA to develop, under a lease agreement signed on July 2000, a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease commitment is expected to be completed in 2015. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity. As part of the bid requirement, the Company procured a performance bond in 2003 from the Government Service Insurance System in favor of BCDA amounting to ₱3.9 billion to guarantee the committed capital to BCDA. Moreover, SSECC obtained standby letters of credit to guarantee the payment of the fixed and variable rent as prescribed in the lease agreement.

MDC, in the normal course of business, furnishes performance bonds in connection with its construction projects. These bonds shall guarantee MDC's execution and completion of the work indicated in the respective construction contracts.

Development Commitment
On October 18, 2010, the Company undertook to cause the planning, developing and construction of Anvaya Cove Golf and Sports Club, Inc.'s leisure and recreational facilities. The Company was able to deliver the committed facilities and the Club officially opened its doors to its members in December 7, 2013.

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

35. Note to Consolidated Statements of Cash Flows

The noncash activities of the Group pertain to transfers from land and improvements to inventories amounted to₱14,726.2 million, ₱1,194.8 million and ₱1,364.5 million in 2013, 2012 and 2011 respectively; transfer from land and improvements to investment properties in 2013 amounted to ₱1,463.9 million; transfers from inventories to investment properties amounted to ₱20.7 million, ₱14.1 million and ₱55.4 million in 2013, 2012 and 2011 respectively; transfer from inventories to property and equipment amounted to ₱5.4 million in 2013; transfers from investment properties to inventories amounted to ₱45.1 million and ₱116.1 million in 2013 and 2012 respectively; transfer from property and equipment to inventories amounting to ₱262.5 million in 2011; transfer from investment properties to property and equipment amounted to ₱157.4 million, ₱97.8 million and ₱160.7 million in 2013, 2012 and 2011 respectively; transfers from property and equipment to other assets amounting ₱1,422.7 million and ₱155.5 million in 2013 and 2011 respectively; transfer from investment properties to other assets amounted to ₱65.9 million in 2011; transfers from other assets to investment properties amounted to ₱42.3 million in 2013; transfer from investments in associates and joint ventures to financial assets at FVPL amounted to ₱713.7 million in 2012; other noncash items pertain to business combinations in 2012 and 2010 (see Note 24).

36. Events After Reporting Date

On January 24, 2014, the Company has formally signed a 50%-50% Joint Venture Agreement (JVA) with Aboitizland, Inc. for the development of a 15-hectare mixed-used community in Mandaue City, Cebu. The Company subsequently assigned 20% of its interest in the JVA with Aboitizland to CHI and 10% to CPVDC. Total investment commitment of the Group under this JVA amounts to ₱1,500.0 million.

On February 21, 2014, the BOD approved the declaration of cash dividends amounting to ₱0.20711082 per outstanding common share. Further, the BOD also declared annual cash dividends of 4.74786% per year or ₱0.00474786 per share to all shareholders of the Company's unlisted voting preferred shares. These will be paid out on June 30, 2014 to shareholders on record as of June 16, 2014.

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